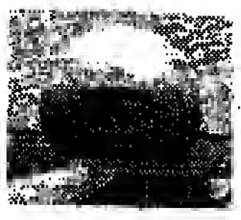

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Alice Rawsthorn describes futuristic cinema
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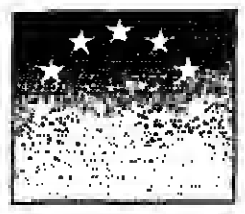

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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY OCTOBER 24 1994

VW eases concern on cuts in Skoda car production

German motor group Volkswagen moved to calm Czech anger over plans to scale down its production targets for the Skoda carmaker from 400,000 vehicles a year to 300,000 by the end of the decade. The extent of the scale-down may be reduced in line with Czech objections following a meeting in Prague between VW chairman Ferdinand Piëch and Czech industry and trade minister Vladimir Dlouhy. VW owns 31 per cent of Skoda and is due to increase its stake to 70 per cent by the end of next year. Page 21

Sri Lankan blast kills opposition leader: Gamini Dissanayake, top opposition candidate contesting Sri Lanka'a presidential poll next month, was among up to 50 people killed in an explosion at a political rally in Colombo, capital of Sri Lanka, police said.

Kohl faces difficult talks: German Chancellor Helmut Kohl will today open negotiations to form another coalition government amid signs that talks may be difficult. Page 2

Malaysia's PM attacks Japan: Malaysian prime minister Mahathir Mohamad attacked Japan for failing to offer sufficient help to other east Asian countries. He said Tokyo should play a pivotal role in the region. Page 6

Singapore Airlines ahead: Singapore Airlines, the world's most profitable airline last year, confirmed the financial recovery in the airline industry by reporting a 20 per cent rise in first-half group operating profits to S$478m (US$322m). Page 23; Rolls-Royce in Asian breakthrough. Page 6

British tourist shot dead: A British tourist was shot dead and three others injured when suspected Moslem militants attacked a tour mini-bus in southern Egypt. Page 4

Tanker held under Iraqi sanctions: A US warship intercepted a ship suspected of carrying Iraqi fuel in a breach of United Nations sanctions and diverted the tanker to Kuwait for investigation. Page 4

Price rises boost US steel companies: Price increases this year have raised earnings at US steel companies faster than expected, and are likely to be followed by furthar price rises next year. The US's biggest steel producers, US Steel and Bethlehem Steel, are among those due to report results this week. Page 23

Third-quarter downturn at Mobil: Third-quarter net income at US energy group Mobil fell by 25 per cent to $503m because of lower US natural gas prices and weaker refining margins in eastern Asia. Page 23

Kleinwort China fund to raise $30m: Kleinwort Benson's China Investment & Development Fund is seeking to raise $30m through a placing of new shares and warrants. The London-listed fund was launched in 1992 to invest in joint ventures in China. Page 22

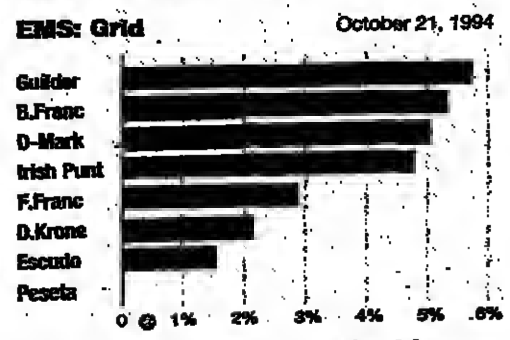
Chicago exchanges seek exemptions: The US Commodity Futures Trading Commission will today rule on applications by Chicago's two big futures exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, for exemption from many of the regulations governing the country's listed derivatives markets. Page 21

Dutch insurer can cover Orion obligations: Dutch insurer Nationale-Nederlanden said it had sufficient provisions to cover its commitments at its UK insurance subsidiary Orion, which is in provisional liquidation. Page 22

Britain to review ministers' conduct code: The British government is to review its code of conduct for ministers in an initiative to counter recent spate of allegations of financial impropriety. Page 8

European Monetary System: The gap between top and bottom currencies in the EMS grid widened during the week, bnt the order did not change. Currencies could be influenced by a Bundesbank council meeting on Thursday which could herald a move in official interest rates. Currencies, Page 31; Dollar faces renewed pressure, Page 20

EMS: Grid — October 21, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

UK directors' pay rises beat inflation: Company directors' pay rises in the UK are running at almost three times the rate of inflation, a report by pay and benefits consultants Sedgwick Noble Lowndes says. Page 8

Kim Chul-su: In the international edition of Friday's Financial Times an illustration referring to an article by Kim Chul-su, South Korea's minister of international trade, industry and energy, wrongly incorporated the North Korean flag. We apologise for this inadvertent error.

Japan in $60bn farm aid plan

Trade accord moves closer as cash promised to help rice farmers adjust to competition

By Emiko Terazono and William Dawkins in Tokyo

Ratification of new world trade rules moved a step closer at the weekend when Japan announced plans to spend Y6,010bn ($60.1bn) to help its protected farmers adjust to foreign competition.

The decision is a victory for politicians from rural constituencies, who had threatened to block the parliamentary vote on the Uruguay Round accord unless the government included substantial cash aid in the farm programme.

Now the way is open for Japan's divided parliament to ratify the Uruguay Round accord, under which a ban on rice imports would be gradually phased out from next year and replaced with tariffs. Japan's main trading partners, the EU and US, are unlikely to ratify the trade treaty until the end of next month.

Until recently, the three ruling coalition parties – the Liberal Democratic party, the Social Democratic party and the New Harbinger party – had officially opposed opening the rice market because of sensitivity towards powerful rural voters, who stand to lose business to cheap foreign rice.

The weekend agreement to compensate rural communities means the parties will change policy, so the government can present to parliament the five bills needed to ratify the Gatt accord. The coalition overruled Finance Ministry reluctance and decided to allocate the cash, which is to be spent over the next six years.

Of the total, Y3,550bn is for public works including roads and draining paddy fields; Y770m is for cheap state loans; and Y890m is to encourage small rice farms to merge into larger, more efficient units. Half the total will be shouldered by central government, the rest by municipal authories. In addition, the government has earmarked Y1,200bn to help rural regions develop new businesses, making a grand total of Y7,210bn.

The weekend decision follows weeks of wrangling between the agricultural ministry and the ministry of finance, which had wanted to limit the package to Y2,700bn – less than half its final size – and opposed debt relief.

While the package appears generous to Japan's farmers, it means they have surrendered serious political support for their campaign to halt the liberalisation of rice imports, a landmark in the deregulation of the Japanese economy.

The former government of Mr Morihiro Hosokawa agreed to partial liberalisation of the rice market last December, but delays seemed likely when the present coalition took power in June.

The farmers' political clout is set to diminisb further with the arrival of a new electoral system – likely to take effect in January – in which urban voters will be given more weight.

The rice deal may prompt further pressure on the finance ministry from politicians backed by other powerful interest groups. After the concession on farming subsidies, Mr Shizuka Kamei, transport minister, called for government spending on the bullet train development project, which has been stalled due to lack of state revenue.

The sharp increase in farm subsidies, however, might increase the agricultural sector's reliance on government aid and stall rationalisation.

Launch of EU single currency 'should be delayed'

By Peter Norman, Economics Editor, in London

The European Uninn should cnnsider fixing the exchange rates of its currencies irrevocably, Mr Alexandre Lamfalussy, president of the European Monetary Institute, says.

But the head of the precursor of a European central bank believes there should be a delay before introducing a single European currency in tbe third and final stage of the EU's planned move to economic and monetary union.

Until now, the presumption has been that the Ecu would be introduced rapidly as a single European currency once exchange rates were locked. But Mr Lamfalussy said in an interview that a phased introduction of stage three would ease many potential technical difficulties surrounding Emu, such as agreement on common European banknotes.

"The threshold of stage three of Emu is the locking of tbe excbange rates," he explained. "You cannot do that halfway. That means a European ceotral bank, one monetary policy, and barmonised interest rates on wbolesale money markets."

Other things could be "left open", he said. "There need not be a swapping of domestic banknotes for notes denominated in European currency units [Ecus]. I could imagine that taking place months or years after locking the European exchange rates."

Mr Lamfalussy cooceded there would be some drawbacks in locking exchange rates without then moving to a single currency with its own banknotes.

But a phased introduction of the final stage of Emu would bave advantages. Companies would have the early benefit of locked exchange rates without baving to wait for the EU to overcome the technical difficulties of the banknote change.

The idea had political attractions because people would be given time to adjust to a single European currency. Also Europe's commercial banks,

Continned on Page 20
Europe's realistic banker, Page 16

UK bank Coutts in plan to move upmarket

By John Gapper, Banking Editor, in London

Coutts & Co, the 302-year-old UK private bank, is to move upmarket to become what its new chief executive calls "a proper private bank".

Mr David Went, who took over at Coutts four months ago, believes that by the turn of the century the bank may require customers to have at least £500,000 ($813,000) – at today's prices – in assets the bank can manage for them.

Coutts, wholly owned by National Wastminster Bank, believes that because of the expected growth in private wealth this decade it can double the number of UK clients from the present 25,000 by becoming more exclusive.

"The traditional image of Coutts in the UK has been of a posh retail bank, but it will become a proper private bank," Mr Went said.

That would mean focusing on asset management for wealthy individuals rather than retail banking.

Mr Went said Coutts, which at present seeks customers with £150,000 in investable assets, would tighten its criteria. It would require at least £300,000 by the end of the decade, and he "would be surprised" if the minimum was not £500,000.

Coutts is also trying to expand internationally because the demand for private hanking is expected to grow rapidly in the next decade. More individuals will inherit wealth, and many entrepreneurs in Latin America and Asia are becoming millionaires.

The bank already operates in 14 countries outside the UK, and will announce shortly that it is opening three offices on the west coast of the US, including one in Beverly Hills in Los Angeles and another in San Diego in southern California.

Mr Went said Coutts would not "sling out" customers who did not meet its tighter criteria, but it might encourage some to transfer to NatWest accounts for high-income customers, which offer a more personal service than the average account.

He said that in other cases, Coutts might ask customers to locate more of their assets to be managed by the bank. Coutts might also try to persuade customers wbo bava a current account and a credit card to use the bank as an investment manager, he said.

Private banks in Switzerland offer asset management and trust and legal services to their customers rather than a higher-quality version of traditional retail banking, but the line has been blurred at some private banks in the UK.

Seoul officials arrested after bridge collapse

Five city officials outside a Seoul police station yesterday after they were arrested for failing to repair the capital's Songsu bridge, which collapsed on Friday killing 32 people. The collapse is the latest in a series of construction disasters in South Korea which engineers have blamed on shoddy work, poor quality control and inadequate maintenance – failings seen as common in the fast industrialisation which has taken place during the past three decades. Details, Page 6 Picture Associated Press

Dublin to be warned over Ulster claim

By Philip Stephens in London and John Murray-Brown in Dublin

Mr John Major, the UK prime minister, will tell his Irish counterpart Mr Albert Reynolds today that hopes for an overall political settlement in Northern Ireland depend on a radical revision of Dublin's constitutional claim to the province.

But ahead of their planned talks at Chequers, there were signs of Irish irritation at a move by Mr Major to separate plans for an Ulster assembly from wider talks on the province's status.

The meeting will follow British denial of a claim by Mr Martin McGuinness, a leading official of Sinn Féin, the IRA's political wing, about private assurances by the British government.

Mr McGuinness said on BBC television that during secret contacts last year, a British civil servant had said London was working towards a united Ireland. Sir Patrick Mayhew, the Northern Ireland secretary, said the claim was "nonsense".

Mr Major hopes to persuade Mr Reynolds that the territorial claim to Ulster in Articles 2 and 3 of the Irish constitution is the main obstacle to an agreed approach.

Dublin has agreed to modify the claim, but the British side will argue that unless Mr Reynolds goes further, moderate unionists in Northern Ireland will reject a proposed framework document for talks on the province's future.

The Irish prime minister, meanwhile, is coocerned that Mr Major appears to have weakened Britain's commitment to the comprehensive "three-stranded" approach to negotiations.

Mr Major said last week that proposals for strand one – the creation of an assembly – were separate from the Anglo-Irish framework document, which would cover strands two and three. Those concern relations between north and south and between London and Dublin.

Mr Reynolds spelt out his demands yesterday that the proposed cross-border institutions in strand two of the process must be given "executive functions". He said: "Such institutions also must address some of the key interests common to north and south on a pragmatic basis."

Irish officials said Mr Reynolds wanted today's meeting to "pick up the pace". He was anxious to harness Sinn Féin to the political process quickly to bolster Republican moderates. Dublin will also press for flexibility on the issue of the surrender of IRA arms. Mr Reynolds repeated his view that the question "had to be confronted and dealt with but is not a precondition for talks".

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.260	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lei60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	Ekr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 36,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

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EUROPEAN NEWS DIGEST

Italy party chief in merger plea

Mr Gianfranco Fini, leader of the MSI/National Alliance, Italy's extreme-right political grouping, yesterday promised hardline neo-fascists in the MSI that a full merger with the National Alliance would open a "wonderful new phase" in the party's history. At a meeting of MSI leaders on Saturday, Mr Fini confirmed plans to absorb the old party, founded after the war by followers of fascist dictator Benito Mussolini, into the "post-fascist" Alliance, which has been part of Italy's governing coalition since the March elections. The proposal, broached last month, will be put to MSI members at a party congress to begin on January 25.

Though Mr Fini's speech drew angry reactions from hardline MSI members, it got broad support from most of his audience. Mr Fini reinforced his message yesterday by urging MSI members not to ally themselves with the hard left in Italian politics against the government. "The MSI was the political instrument of the alternative right wing; the National Alliance is the instrument of the right wing in government," be said.

In public relations terms, a merger would be the most important step yet taken by Mr Fini to distance the Alliance from its neo-fascist roots and to mollify hostile public opinion outside Italy. Last week, TV pictures were broadcast round the world of MSI/National Alliance deputies taking part in a brawl with opponents in Italy's lower house of parliament. *Andrew Hill, Milan*

Italian airports face disruption

Industrial action by Italian airline pilots, customs officials, air traffic controllers, technicians, and ground and cabin staff threatens to disrupt arrivals and departures at Italian airports this week, particularly today, tomorrow and on Wednesday.

The protests are not co-ordinated and have been called for various reasons. Under emergency rules, certain flights are guaranteed, including many intercontinental flights arriving in Italy. Alitalia has specifically warned of flight cancellations and delays between 10am and 6pm on Wednesday because of a strike by cabin staff and air traffic controllers.

Some workers are protesting against the Italian government's budget plans, some against new contract proposals, and others against the planned merger between Alitalia and its domestic subsidiary, Ati. Last Friday, 8 out of 10 Ati pilots reported sick, forcing cancellation of 113 mainly domestic flights. The pilots, most of whom were back at work by yesterday, object to the Alitalia-Ati merger, whicb they claim will hinder promotion. They plan an official strike on Friday. *Andrew Hill, Milan*

Sarajevo talks drag on

The UN and Bosnia's Moslem-led government failed yesterday to forge a security agreement for Sarajevo's key supply route, throwing into doubt a Bosnian troop withdrawal from a violated demilitarised zone. At a meeting in the Bosnian capital military negotiators agreed only to talk again today.

The Bosnian government has demanded the UN provide security for a road that snakes down Mt Igman, west of Sarajevo, in full view of Bosnian Serb guns. The road has come under fire from Bosnian Serb troops for months. Some shooting has beeo from artillery even though a Security Council resolution, backed by a threat of Nato air strikes, bans big guns from the area. Resolution of this issue could determine bow fast, or even wbether Bosnian government troops withdraw from a demilitarised zone behind Mt Igman.

The Bosnian government gave a commitment at the weekend to begin withdrawing troops from the demilitarised zone at midday today and to complete the process as quickly as possible, UN officials said. The security meeting yesterday followed the apparent success of UN special envoy Yasushi Akashi in persuading Serbs to lift from today a fuel blockade that has brought UN operations in eastern Bosnian Moslem enclaves to a standstill. *Reuter, Sarajevo*

Basque polling raises hopes

Basques voted in elections in Spain's most fiercely nationalistic autonomous region yesterday, with moderate nationalists looking forward to a return to power. One question to be decided by the voting was wbo will govern alongside the Basque Nationalist Party (PNV) in the 75-seat regional parliament in Vitoria. Another was bow the radical nationalist Herri Batasuna, political wing of the separatist guerrilla movement ETA, will fare in votes cast by people weary of 26 years of sporadic violence that has claimed 800 lives.

A further waning of support for Herri Batasuna would be welcomed by many mainstream politicians as a signal that an end to violeoce is possible. HB lost its only seat in the European parliament in elections in June, when public rejection of violence, which saw thousands take to the streets to demand an end to the killing, made itself felt in the polling booths. ETA has suffered severe setbacks as a result of police action in the past three years. Top commanders of ths guerrillas have been arrested, extortion networks have been broken up and, in the last two months, French police have seized an ETA explosives factory and some $1.5m in cash. *Reuter, Bilbao*

Slovaks yawn at referendum

A dismally low turnout has invalidated a referendum in Slovakia aimed at fighting corruption in privatisation of state property. Only 19.96 per cent of Slovakia's 3.8m registered voters cast ballots in Saturday's referendum, far below the 51 per cent turnout required for a valid vote. The referendum was demanded by left-wing parties to stiffen laws on purchase of state property. The initiative was meant to answer suspicions that illegally obtained funds have been used in the purchase of state property since communism fell in 1989.

One of the referendum's staunchest supporters, ex-premier Vladimir Meciar, said be wanted the referendum to trigger a law that would open investigations of past purchases of state-owned property. Critics of the referendum said it was simply a ploy by some left-wing parties, including Mr Meciar's party, to whip up popular support during the recent election campaign. *Reuter, Bratislava*

EU's new leader faces baptism of fire

Jacques Santer is caught in a battle between two foreign policy barons, writes **Lionel Barber**

Mr Jacques Santer, president-designate of the European Commission, will this week seek to resolve an acrimonious dispute over the share-out of new portfolios, the first test of his grip on colleagues and clout with member states.

But a power struggle between the Commission's two foreign policy barons – Sir Leon Brittan, chief EU trade negotiator, and Mr Hans Van den Broek, the Dutch commissioner in charge of political affairs – threatens to sink Mr Santer's hopes of reaching an early agreement.

Other last minute hitches include the Italian government's delay in nominating its two commissioners, uncertainty over control of the agriculture portfolio, and the absence of a political heavyweight willing to take charge of the single market.

Mr Santer remains determined to reach agreement at a meeting with his new commissioners in Luxembourg on Saturday, despite hints from Sir Leon's camp that the senior British commissioner may block a deal if he is asked to cede responsibility for relations with central and eastern Europe to Mr Van den Broek.

Mr Van den Broek has also failed to endear himself to Mr Santer by objecting to the Commission president's plan to assume personal control over foreign policy in the new Commission. Mr Santer intends to introduce new committees of commissioners in order better to co-ordinate policy-making.

Mr Santer (left) remains determined to reach agreement despite the battle between Sir Leon Brittan (centre) and Mr Van den Broek (right) over responsibility for central and eastern Europe

Officials close to Mr Santer portray the plan as a bid to break op personal fiefdoms which have flourished at the end of the 10-year reign of Mr Jacques Delors, the outgoing president.

Mr Santer also wants to inject greater realism about the role of the Commission in foreign affairs, especially since sovereignty-conscious member states led by France, the UK and Spain have made clear they do not want Brussels usurping their own powers under the guise of the Maastricht treaty.

As part of this effort, he wants to break down the barriers between political and economic affairs in the present Commission whose curtailed two-year tenure ends on January 6. This division, introduced by Mr Delors in 1992 to exploit the sharper profile given the Commission by the Maastricht treaty, is widely viewed as a mistake and has led to constant turf battles between officials loyal to Sir Leon and Mr Van den Broek.

Instead, Mr Santer would like to engineer a split on geographic lines. He has suggested tsntatively that Mr Manuel Marin, senior Spanish commissloner, would retain control over Latin America and the Mediterranean; Mr João de Deus Pinheiro, former Portuguese foreign minister, would look after the developing countries in Africa, the Caribbean and the Pacific; Sir Leon would handle trade relations with the developed countries.

Mr Van den Broek would continue to be responsible for orthodox diplomacy such as attending international conferences, but he would also take over relations with central and eastern Europe – a plum job since one of the chief tasks of the new five-year Santer Commission will be lay the groundwork for EU membership of Poland, the Czech republic, and Hungary.

Mr Van den Broek may emerge with enhanced powers thanks to Mr Santer's desire to bolster the Christian Democrat influence in a Commission likely to be dominated by socialists.

Other posts tentatively agreed in the new Commission include transport for Mr Neil Kinnock, tbe former UK Labour party leader; environment for Ms Ritt Bjerregard, the new Danish commissioner; and research and competitiveness for Madame Edith Cresson, the former French prime minister. Mr Martin Bangemann, the senior German industry commissioner, will retain control over information technology, while Mr Karel van Miert, will continue running competition policy but drop control of personnel. Mr Santer also plans to pencil in jobs for commissioners from Austria, Finland, Sweden and Norway, which are due to join the EU uext year, pending referendums In tbe latter two countries in the next few weeks. Austria and Finland have already voted to join. Each country would be able to nominate one commissioner.

An unresolved question concerns the future of Prof Mario Monti, the distinguished Italian economics professor who is the first cboice of the Berlusconi government, but wbo wants responsibility for tbe economics directorate, including preparation for monetary union.

The trouble is that the French government has waged an apparently successful campaign for the EMU job on behalf of Mr Yves-Thibault de Silguy, former adviser to Mr Edouard Balladur, French prime minister.

Last week, efforts were being made to persuade Prof Monti to come to Brussels to run the economics directorate without EMU but with new responsibilities, possibly including supervision of the multi-billion Ecus "cohesion" funds which funnel money to the "poor Four" – Greece, Ireland, Portugal and Spain – in order to belp them prepare for EMU.

See editorial comment.

FDP poll result strains Kohl's coalition talks

By Michael Lindemann in Bonn

Chancellor Helmut Kohl will today open negotiations to form another coalition government amid signs that the talks are not likely to be as quick and easy as he hopes.

The Free Democratic party (FDP), the small liberal party which has been in coalition with Mr Kohl's Christian Democratic Union (CDU) since 1982, is likely to be a difficult negotiation partner following internal wrangling after the party's second worst election result since 1949.

The party leadership was meeting last night to map out a strategy for the talks. Mr Jürgen Möllemann, a former economics minister and chairman of the party's largest state branch, has come out in open opposition to Mr Klaus Kinkel, the party leader and foreign minister.

While the indications were last night that Mr Kinkel would see off opposition from Mr Möllemann, differences remain over negotiating strategy.

The CDU has said it wants quick coalition negotiations which would clear the way for Mr Kohl's re-election as chancellor in mid-November, an election where the government coalition will need every vote it can muster to preserve its 10-seat majority.

Parliament will meet for its opening session in Berlin on November 10, and the so-called "chancellor vote" is scheduled for November 17.

The FDP has said it wants "binding" commitments on the policies of the future coalition government. A party spokeswoman would not spell out the party's demands ahead of the negotiations, but ths FDP is likely to push for tax cuts, an end to government subsidies, and for measures to integrate Germany's 6.5m foreigners.

The party is also likely to resist pressure to give up any of the five ministries it controls in the 18-seat cabinet. The Christian Social Union (CSU), the CDU's more conservative Bavarian sister party, has overtaken the FDP to become the second strongest party in the three-party coalition and has indicated that it will want the appropriate reward.

There are likely to be few changes at the most important ministries. Mr Kinkel is expected to stay as foreign minister, Mr Theo Waigel as finance minister and Mr Volker Rühe as defence minister.

Mr Rudolf Scharping, the leader of the opposition Social Democratic party (SPD), has said be will not stand against Mr Kohl in the "chancellor vote".

Confrontation looming for Scharping over PDS

By Michael Lindemann

Tbe opposition Social Democratic party (SPD) may be heading for anotber confrontation over the vexed question of co-operation with the former East German communists, now called the Party of Democratic Socialism (PDS).

The national party leadership rejected comments by Mr Harald Ringstorff, the SPD leader in tbe nortb-eastern German state of Mecklenburg-Vorpommern, that he bad been given permission to talk with the PDS.

"We don't know wbere Ringstorff has got this idea from," said an SPD spokeswoman in Bonn.

The looming showdown will be a key test for Mr Rudolf Scharping, the SPD national leader who has repeatedly said that his party will not work with the PDS, which many of Germany's established parties have called "undemocratic".

Mr Ringstorff has been pushing for talks with the PDS even though many SPD party members in Mecklenburg favoured a grand coalition with the Christian Democratic Union (CDU), Chancellor Helmut Kohl's party.

However, there are signs that the mood in the Mecklenburg SPD may be changing after the 29-strong party council endorsed further talks with the PDS at a special meeting on Saturday.

The SPD in Mecklenburg may seek to copy the sort of co-operation wbicb exists between the party and the PDS in the neighbouring state of Saxony-Anhalt, where in June the PDS for the first time had a hand in the shaping of a state government.

There is no formal coalition between the parties, but the PDS has so far "tolerated" a minority government run by the SPD and the Greens. The fact that the SPD might be working alone with the PDS in Mecklenburg has made its position all the more controversial.

However, it remains difficult to see how Mr Ringstorff will be able to pull off any sort of co-operation with the PDS.

In the central state of Thuringia, the CDU and the SPD bave said tbey will today begin coalition talks even though the result of last Sunday's election was exactly the same as in Mecklenburg: the CDU as biggest party alongside the SPD and the PDS.

SPD party beadquarters in Bonn suggested Mr Ringstorff's talk of co-operation with the PDS was designed to strengthen his hand when it came to eventual negotiations with the CDU.

Tough test of stamina for Macedonia's president

Re-elected leader must maintain momentum of reform, writes **Kerin Hope**

President Kiro Gligorov, 77, re-elected last week by a wide margin in Macedonia's first direct presidential vote, made a point of campaigning as energetically as politicians balf his age.

He will need both stamina and flexibility to persuade Greece to lift its eight-month trade blockade against Macedonia, and to push through free-market and social reforms at a faster rate.

Mr Gligorov, an economist with an up-and-down career in the former Yugoslav communist party, came out of retirement to advise the reform-minded Markovic government at the end of the 1980s. He was therefore well-placed to rally Macedonia's inexperienced young politicians as the transition started to independence and a market economy.

His first achievsmsnt as president, elected by a parliament dominated by the hard-line nationalist Internal Macedonian Revolutionary Movement (VMRO), was to negotiate the withdrawal of ex-Yugoslav forces based in Macedonia early in 1992, taking with them aircraft and heavy weapons.

Then came the task of persuading the international community that Macedonia, the poorest and least-dsveloped republic in the former Yugoslavia, could become viable.

While Macedonia's chances of survival now seem brighter, Mr Gligorov will still have to make some concessions to transform its uncertain international status under the temporary name of Fyrom (former Yugoslav republic of Macedonia) into permanent recognition.

However, his election triumph, capturing about 77 per cent of votes cast, should give some room for manoeuvre in re-opening UN-sponsored talks with Greece, whicb asserts that Macsdonia's name amounts to a claim on its own province of Macedonia.

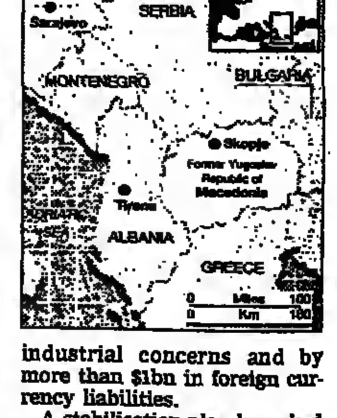
Despite confused and incomplete first-round returns in last week's parliamentary vote – held simultaneously with the presidential poll – it is clear that support for VMRO has dropped sharply.

The Alliance for Macedonia, a coalition led by ex-communists and backed by Mr Gligorov, will almost certainly emerge from the October 30 run-off poll as the largest party in parliament.

The mood in Athens is now more conciliatory, with Greek officials again talking of North, or Nsw, Macedonia as a possible compromise on the name issue. Mr Gligorov, until now reluctant to accept any change in the name, will come under pressure to accept.

Mr Gligorov's other priority will be to speed up the transition to a free-market economy by promoting privatisation and banking reform more effectively.

Macedonia's state-owned banks are technically insolvent, burdened with huge debts accumulated by large



industrial concerns and by more than $1bn in foreign currency liabilities.

A stabilisation plan launched in agreement with the International Monetary Fund is starting to produce results, with annual inflation projected to drop to 55 per cent this year, against 250 per cent in 1993. But if recovery is to follow, President Gligorov must encourage the new government to launch structural reforms without delay.

Civil servants decide fate of SES chief

Meyrat removal is likely to boost rival satellite group, writes **Ray Snoddy**

The search begins in earnest this week for a new director general of Société Européenne des Satellites, the organisation that operates the Astra satellite system, after last week's unceremonious ousting of Dr Pierre Meyrat, the SES director general.

Dr Meyrat was removed after a tense boardroom battle on Thursday lasting more than four hours and "released from his duties", even though he had the support of the main users and would-be users of the Astra system such as British Sky Broadcasting, Mr Leo Kirch, the German broadcasting entrepreneur and Deutsche Bundespost Telekom.

The departure of one of the pioneers of European satellite television and director general of SES for the past nine years will upset many of the company's main customers, increase uncertainty about the imminent move to digital satellite television and put large question marks over SES plan to float on the London Stock Exchange and the other major exchanges of Europe possibly as early as next year.

Dr Meyrat is the first to admit be is no diplomat. As an executive from an entrepreneurial background in the Swiss cable television industry he placed more emphasis on getting decisions taken and plans implemented than discussing details with the 24-strong board.

The board includes a large number of representatives of German and Luxembourg financial institutions and eight Luxembourg civil servants. "He is dogged, determined and Swiss and sometimes difficult to work with," said one SES director yesterday. It is equally obvious that he has presided over one of the most successful satellite television operations in the world.

SES already broadcasts 48 channels of television across Europe from three satellites with a fourth 18-channel satellite due up in the next few weeks. A fifth and sixth satellite, which could be devoted to the provision of a 150-channel digital television service for Europe, are due to be launched in 1995 and 1996.

There have been several previous attempts to removs Dr Meyrat but the most determined came in July from a group of directors and shareholders including the two SES vice-chairman Mr Romain Bausch, chairman of the SNCI bank of Luxembourg, and Count Roland Kergorlay, a private SES investor. When news of the coup attempt leaked letters arrived in support of Dr Meyrat from most of the main SES users.

Mr Frank Barlow, chairman of BSkyB, and also managing director of Pearson, owners of the Financial Times, seot an unambiguous appeal that Dr Meyrat, aged 57, should stay for the next 12-24 months until a suitable successor could be found. The issue was never put to the vote at the July board meeting and it appeared the director general had received overwhelming board support.

The chairman, Mr Pierre Werner, even wrote to one worried Astra user reassuring him that Dr Meyrat had the confidence of the board and would continue to chair the management committee of the organisation until a successor was identified in "a measured time frame".

Since then support seems to have ebbed away from Dr Msyrat, not because of anything he has done since July, but because the splits within the organisation were so deep that the decision-making process was being disrupted and progress delayed. It appears that the three executive directors who will now run the management committee – Mr Celso Azevedo, the technical director who will be acting chairman of the committee, Mr Yves Elsen, secretary general, and Mr Jurgen Schulte, the director of finance – reluctantly came to the view that change would have to be speeded up to end paralysis.

But it was the votes of the eight Luxembourg civil servants on the board which was crucial. To remove the director-general a two-thirds majority was needed. At the meeting which was attended throughout by Dr Meyrat he was supported by an Anglo-German alliance of Deutsche Bundespost Telekom, which earlier this year spent around £80m to buy a 16.6 per cent stake in SES, Deutscbe Bank, Dresdner Bank and Thames Television, a Pearson subsidiary. There was a large majority against Meyrat but it was the votes of the eight Luxembourg civil servants who all voted against him that created the two-thirds majority for removal.

Dr Meyrat has told friends that he is astonished by tbe outcome which he ascribes to the plotting of individuals wbo did not liks him. He has also stressed he has never formally been accused of anything.

"It's a spectacular free kick for the opposition. It also shows that who runs SES is determined by Luxembourg civil servants," a very angry SES user said yesterday.

The row, and what is says about the way SES is run, will provide a considerable boost to Eutelsat, ths Paris-based rival European satellite organisation. All main Astra users are believed to be talking to Eutelsat about the future, and tbe introduction of digital television in a much more serious way than ever before.

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Clinton ventures abroad in search of votes

Diplomacy can't do Democrats any harm, says Jurek Martin

President Bill Clinton's decision to spend nearly a week on diplomacy in the Middle East, rather than on the search for votes in the American midwest may not hurt the Democratic party in mid-term elections now only 16 days away.

Mr Clinton himself, yesterday winding up a west coast campaign trip in which he *has* been more warmly received than in earlier excursions, said he detected some improvement in party fortunes.

The president certainly appeared more confident and relaxed than for some weeks, eloquently expressing his opposition both to the California referendum on illegal immigration and to the conclusions of the controversial new book linking race and intelligence.

Some prominent endangered Democrats, like Senator Edward Kennedy in Massachusetts and Senator Dianne Feinstein in California, do appear to have re-established leads. But the prospect for substantial Republican gains in Congress and in governorships remains strong. The polling evidence to bolster Mr Clinton's belief remains mixed. Two surveys at the end of last week showed his own standing had received a boost from foreign policy achievements such as Haiti, Iraq and North Korea but that confidence in his management of domestic policy and in his character remained low.

Even Congressman Newt Gingrich, the Republican leader, conceded in a television interview yesterday that "they've been better (at foreign policy) in the last six weeks than at any time in the administration".

But three polls also found that for the first time since the Truman presidency Republicans held a sizeable edge over Democrats among likely voters. In sharp contrast to 1992, when discontent with "gridlock" in Washington helped unseat President George Bush, the surveys found Americans more comfortable with the idea that if one party held the presidency, the other should have control of Congress.

Administration officials, only too well aware of the sour and introspective mood of the electorate, have been careful not to make too explicit a connection between foreign policy and the elections. President Clinton's weekly radio broadcast on Saturday, for example, was exclusively devoted to domestic issues, principally education, and to an attack on alternative Republican policies.

Mrs Madeleine Albright, the ambassador to the UN, yesterday cast the president's decision to go to the Middle East solely in foreign policy terms. "In no way does it impede the political process going on here," she added.

A somewhat different twist was given by Mr David Gergen, the formerly influential White House aide now virtually invisible as a counsellor at the state department. "I think this foreign policy will have precious little to do with the election results," he said in a weekend TV interview.

But, he added, "I think the American people want to know he (the president) has a strong effective foreign policy...when they sense that's not happening, it could cut the heart out of your presidency." Still, he said there was no substitute for delivering the goods on domestic policy.

The principal Republican campaign aim is also to emphasise domestic issues. Yesterday they were claiming to have found a "smoking gun" in the shape of a leaked memorandum to the president from Dr Alice Rivlin, the White House budget director. The memorandum, which Dr Rivlin and other White House officials said was merely an hypothetical discussion document without specific recommendations, pointed out that Mr Clinton might find have to cut social spending and increase taxes in order to continue to reduce the deficit.

This was enough for Mr William Kristol, a leading Republican strategist, to charge that it was "craven hypocrisy" for the administration to allege that the Republicans intended to slash medicare and social security as a means of achieving the balanced budget.

The vigour of the Republican response may reflect awareness that its own heavily promoted "contract with America," mostly unfinished business from the Reagan presidency, seems to be making little headway with the electorate. One poll found that 70 per cent had never heard of it, while some Democratic candidates have used it to paint their opponents as captives of the extreme right.

The overwhelmingly negative tone of so many individual campaigns continues to dominate the election. A successful Clinton visit to the Middle East, including Syria, might not appear likely to sway many minds but any diversion from domestic mudslinging might be beneficial.

Clinton campaigning in California. He sees an upturn in Democratic fortunes

Diamond giants accused of rigging prices

By Tony Jackson and Mark Suzman

Tomorrow morning in Columbus, Ohio, a court case opens on an apparently mundane matter: alleged price fixing in the arcane field of industrial diamonds. But there is much at stake for both accused and accuser. General Electric, the giant US conglomerate, will be defending its reputation for integrity, already somewhat battered by recent scandal at its broking subsidiary Kidder Peabody.

The US Justice Department, on the other hand, is out to prove a point. Under assistant attorney general Anne Bingaman, the department has launched a stream of anti-trust investigations, from computer software to car rentals. Last week it said it was looking at alleged uncompetitive pricing at Nasdaq, the US stock market. The message is clear: under the Clinton administration, the old laissez-faire days are over.

The charge in this case is simple: that GE and De Beers of South Africa, which dominate the world market for industrial diamonds, rigged the world price in 1991 and 1992. But the plot is complex, and takes in such fringe characters as an ex-EU industry commissioner and the boss of America's biggest fibre glass manufacturer.

One fact is not in dispute. In early 1992, GE and De Beers raised prices on the same types of industrial diamonds at the same time. In GE's view, this is perfectly natural. In a market with few players, a price move by one supplier will be promptly followed by the rest. Proving there was a specific agreement is another matter.

A pivotal figure here is Mr Philippe Liotier, who at the time of the alleged offences was a director of the Belgian conglomerate Société Générale de Belgique (SGB). Among his other duties, Mr Liotier ran Diamand Boart, a diamond tool-making company controlled by SGB, and a big customer of both GE and De Beers. He was also on the board of Boart's immediate parent, Sibeka, GE's chief rival in the manufacture of industrial diamonds. Though majority controlled by SGB, Sibeka is part-owned by De Beers; *more important*, De Beers markets the whole of Sibeka's output, and thus sets its prices.

It seems undisputed that Mr Liotier communicated regularly about De Beers' prices with the head of GE's European diamonds business, Mr Peter Frenz. But that, GE would argue, was normal as well. Mr Liotier was a customer; and if supplier A raises prices, it is natural for the customer to pass the news on to supplier B. Much therefore depends on whether Mr Liotier was talking to Mr Frenz as a customer or a competitor.

Mr Liotier, who has now moved on to SGB's parent, the giant French conglomerate Suez, is a defendant in the trial. He will not be turning up. Neither will Mr Frenz: according to GE, the US authorities refused to promise not to arrest him as soon as he got off the plane. The jury will therefore be treated to a video of Mr *Frenz's testimony, compiled in* Europe over six days in July.

Mr Frenz and Mr Liotier, says the Justice Department, were not acting on their own initiative. On February 12 1991, the two met in Brussels along with their respective bosses: Viscount Davignon, ex-EU commissioner and now president of SGB, and Mr Glen Hiner, then head of GE's plastics division. At that meeting, says the Justice Department, pricing was discussed for the first time. Neither Viscount Davignon nor Mr Hiner have been charged. Mr Hiner, right-hand man of GE chairman Mr Jack Welch and head of the US fibre glass company Owens Corning, says the meeting was about other matters.

Beyond straightforward denial, GE's rebuttal comes in three parts. First, the evidence is purely circumstantial. Second, GE can prove it made an independent decision to raise *prices in the autumn of* 1991. Third, disparity between the two companies' prices was greater after the 1992 price rise than it was before.

The Justice Department has no great difficulty with the first two. Conspiracy cases are usually circumstantial, it says. People are not in the habit of sitting down to write a document agreeing to fix prices. Second, in any conspiracy someone has to set the ball rolling. In this case, apparently, it was GE.

GE's point about price disparity looks stronger. Granted, an illegal arrangement cannot be defended on the grounds that it did not work. But in a case based on circumstantial evidence, an apparent strengthening of competition points the other way.

Meanwhile, what abont De Beers? It is not turning up for the trial either, but seems unconcerned. It flatly denies wrongdoing, and *says* US courts have no jurisdiction over it anyway.

Veteran De Beers observers feel the trial is unlikely to have any significant bearing on De Beers' business either way. Suppose there was price collusion, they say: the world's most successful diamond company has weathered far worse storms, and will carry on dominating the world diamond market for quite a while yet.

AMERICAN NEWS DIGEST

Pensions award hits budget

Argentina's economy minister, Mr Domingo Cavallo, is today expected to ask congress to approve an amendment to the 1994 budget providing for extra spending of between \$1bn and \$1.5bn in order to meet pension payments for the rest of the year. The request, the first retroactive budget amendment since Mr Cavallo launched economic reforms in 1991, has added to speculation that Argentina's fiscal position has deteriorated sharply in the second half of the year as tax collection has fallen and spending climbed.

Mr Daniel Artana, an economist at the Foundation for Latin American Economic Investigation, said that, although Argentina's public accounts remained "fairly solid", the country was "in a more fragile situation than it used to be." The worsening fiscal position threatened to derail further cuts in payroll taxes planned for next year, part of efforts to sharpen Argentine competitiveness, Mr Artana said.

Mr Cavallo said the additional funds, which would increase the 1994 federal budget to about \$41.5bn, were needed because of recent court decisions granting higher pensions. The Peronist administration, which has been trying to stop pension indexation in an effort to trim spending, says the court rulings set a precedent which could cost the treasury up to \$300m extra a month.

Mr Cavallo is also expected to seek legislation that would curb the ability of judges to increase pensions for thousands of other retired people seeking legal redress. However, efforts to save money will be weighed against the danger of losing electoral support, given that presidential elections are less than seven months away. *David Pilling, Buenos Aires.*

Intel wins injunction over clone

Intel, the world's largest semiconductor manufacturer, has won an injunction forcing a halt to shipments of clones of its microprocessors made by Advanced Micro Devices, a rival US chip maker. The court order will not take effect, however, until mid-January by which time AMD claims that it will be ready to ship new versions of its microprocessors with the offending software "microcode" expunged. The injunction follows a ruling this month that AMD microprocessors contain "microcode" software that infringes an Intel copyright. The case is the latest is a decade of legal battles between the semiconductor industry rivals.

With its Intel-compatible microprocessors, AMD has gained about 6 per cent of the market, while Intel supplies about 90 per cent of all microprocessors used in personal computers. AMD's largest customer is Compaq Computer, the PC market leader. Intel said it will seek damages for all shipments of AMD's microprocessors that contain the infringing microcode. The court has yet to rule on damages. The judge has, however, effectively given AMD a reprieve by allowing the chip maker to meet orders for its microprocessor chips until January 15. *Louise Kehoe, San Francisco.*

Human rights monitors return

Human rights monitors returned to Haiti at the weekend in their first mission since their expulsion by the former military government in July. Thirteen observers and four administrative staff from the joint United Nations and Organisation of American States mission arrived from neighbouring Dominican Republic, the first contingent of a mission expected to rise to around 300 monitors.

Haiti's greatly weakened army has said it will search the homes of people suspected of having illegal arms beginning next week and warned suspects to turn in their firearms or face arrest. *Ted Bardacke, Port-au-Prince.*

NEWS: INTERNATIONAL

Briton dies in Egypt terrorist attack

By Mark Nicholson in Cairo

A middle-aged British man was killed and three other Britons wounded yesterday wheo gunmen opened fire oo their tour bus in the town of Naqada, about 25km oorth of the tourist centre of Luxor in Upper Egypt.

Witoesses said three men fired at the hus with aotomatic weapons hefore escaping. The shooting fits a pattern of attacks by Islamic militants, who have mounted 21 raids oo tonrist boats, buses and other tourism targets during the past two years, seeking to wreck the industry and put pressure oo the government.

Yesterday's killing is the third of a foreign visitor in eight weeks. In Aogust Islamic militants killed a Spanish boy in an attack on a tourist bus in sonthern Egypt, wounding his father and the Egyptian tour guide. Gunmen also shot dead two Egyptians and a German tourist and wonoded another in a gun attack in the Red Sea resort of Hurghada ln September.

The recent rise in such incideots followed a lull in attacks by the Gamaa al Islamiyya, the militaot gronp which claims responsibility for the campaign against tourist targets, and came after claims by the government that they had smashed the Gamaa's main cells.

The group has also attacked senior officials, policemen and secnlar intellectuals who oppose lts ideology.

The attacks have come at the start of the maln cruise and tour season for European and North American visitors to Egypt - a seasoo for which the country's hoteliers, cruise managers and the tens of thonsands of others employed in Egypt's now ailing tourism sector had held high hopes for a recovery.

Tourist arrivals had improved substantially in July and Angust on the same months in 1993. Figures for September are not yet available.

Gazans struggle in the wake of border closure

Julian Ozanne surveys the economic damage to Palestinians and the threat to the peace process

Hisham el-Absie usually plasters walls in Israel but yesterday he was in a pool hall in a refugee camp in the Gaza Strip. Like 25,000 other Palestinians living in Gaza, he has been unable to work since Israel closed the borders of Gaza and the West Bank last Wednesday in retaliatioo for a bus bombing hy Islamic militants which left 21 Israelis dead.

The closure, which Israel has threatened to make indefinite to separate Arabs from Jews, will cripple Gaza's economy and undermine efforts by the Palestiniao authority and international donors to demonstrate to Palestinians that there is an economic benefit from peace.

The move also has serious implications for the fragile political stability of Mr Yassir Arafat's anthority. The continuing failure of the Palestinian authority to meet expectations for economic benefits plays into the hands of the Islamic opposition.

"Nobody can predict what will happen. It is a very fragile time in terms of stability," said Mr Nabil Abu Irdaina, an senior adviser to Mr Arafat. "Without economic advancement, without jobs, without investments the situation is very dangerous because the peace process means nothing to the ordinary Palestinian - no results."

Migrant labour remains the backbone of the Gaza economy and PLO officials have condemned the closure as an "economic war" on Palestinians. The Palestinians from Gaza wbo normally work in Israel sustain extended families who, even in good times, live close to the poverty lloe. Thair income supports hundreds of small sbops and businesses. In an economy where unemployment can be as high as 50 per cent and annual per capita income is around $800, the loss of this vital source of earnings is devastating.

According to Mr Alex Pollock, a United Nations ecooomist, the immediate effect on small businesses is a break down in the credit system and the economy moves to a cash-only basis. Businesses have to lay off local workers, exacerbating unemployment.

Furthermore the closure makes its difficult for Gaza to export to Israel and reduces the tax, value added tax and customs revenue base of the Palestinian treasury. Mr Nabil Shaath, Palestinian "minister" for planning and international co-operation, said the closure also sends negativa signals to investors and tourists.

"The closure creates an extreme form of anxiety among investors and gives the feeling that anything can happen," Mr Shaath said. "It destroys trust and confidence and deals a heavy blow to our prosperity, stability, credibility and viability."

Palestinians have developed survival mechanisms during previous Israeli closures ranging from borrowing money from exteoded family members to selling electronic goods and gold saved for dowry payments. But successive closures have eroded the coping mechanisms.

The crisis could have been less acute if the PLO and international donors had got the emergency economic programme off the ground. The World Bank has released less than 10 per cent of $720m emergency funding promised for 1994. The Bank blames the PLO for lack of transparency, accountability and division of responsibility among competing economic ministers. The PLO blames the Bank for excessive bureaucracy and what it calls "donor fatigue, myopia and arterial sclerosis". The only real joh creating programmes have been $52m of projects in education and health carried ont by the United Nations Relief and Works Agency and a Gaza clean-up campaign funded by Japan and the European Union which created 3,000 jobs.

Donors and PLO officials hope Israel will start to ease the closure soon. But this time it might be different. Mr Yitzhak Rahin, Israeli prime minister, has spoken of a possible formal and permanent separation of Arabs and Jews - a negation of the Israeli-Palestinian peace agreements which foresees increasing ecooomic integration and the continuing presence of Jewish settlers in Palestinian areas.

The Israeli cabinet yesterday formally agreed 19,000 new permits for forelgn workers to replace Palestinian migrant workers. The new permits bring Israel's foreign work force, mainly from Eastern Europe and Asia, to 53,000 and consolldate Israeli moves to lessen its dependence on the Palestinian workforce.

Every time Israel lifts a closure it whittles down the Palestinian work force. In 1987 80,000 Palestinians from Gaza were working in Israel. At the time of the Gulf War the figure was down to 56,000. Since 1993 Israel has unofficially set the Gaza migrant work force at 20,000-25,000.

Israel's policy of labour substitutioo will have severe economic effects. International and local economlsts agree that economic growth in Gaza will depend, at least for five years, on continued migrant lahour to Israel. Permaneot closure of borders would cause a massive economic slump and force Gazan integration into the much poorer Egyptian economy.

Mr Shaath said if Israel really wants separation it should remove Israeli settlements, define borders aod allow Palestinlans to have their own state in the Gaza Strip and West Bank. "Separation means independence but what we have at the moment is separation with occupotion which doesn't make any rational sense," he said. "Either we must choose separation or marriage which means continuing the peace process and economic integration. The closure is like marriage but with wife beating."

Israel has consistently said it wishes Palestinian self-rule to be an economic success. The Jewish state knows the dangers of growing poverty and extremisoı on its borders. Israeli ministers are fond of saying "The only good neighbours are prosperous neighbours". But a prolonged closure increases economic desperation, defeats donor efforts and erodes the fragile credibility and legitimacy of Mr Arafat in the eyes of his own people.

A top-level Israeli-Palestinian troubleshootiog committee met in Cairo yesterday to try to forge agreement on ways of dealing with Hamas, the militant Islamic Palestinian group behind last week's Tel Aviv bomhing, writes Mark Nicholson.

Palestinian negotiators, led by Mr Nabil Shaath, are arguing that Israel should abandoo its policy of collective punishment of Palestinians living in Gaza and the West Bank following each Hamas-led attack. Instead, they said, Israel should support Mr Yassir Arafat, the PLO chairman, and the interim Palestinian Authority, by releasing Hamas prisoners and hastening moves towards a full Palestinian election. Mr Shimon Peres, Israel'a foreign minister, joined the talks after morning meetings with both President Hosni Muharak, the Egyptian leader, and Mr Amr Moussa, Egypt's foreign minister, who called on both sides to avoid acts which would "plunge the region into a cycle of retaliations."

The joint Israeli-Palestinian liaison committee was created out of the original discussions leading to this year's deal on limited Palestiulan self-rule in the Gaza Strip and Jericho as the chief troohleshooting forum betweeo the two sides. The Palestinians said they would resist pressure from Israel to take tougher action against Hamas in Gaza, a move which many fear might spark hitter iotra-Palestinian conflict. "They can suggest what they want, but we respond tha way we want," said Mr Zohdi al-Kodra, the Palestinian ambassador to Egypt.

Thousands of Israeli demonstrators vent their anger at the weekend in Tel Aviv at the scene of the recent bus bomhing which killed 22 people. The protest was called hy rightwing groups which blamed the left for the continning Palestinian terror attacks AP

US warship diverts tanker to uphold Iraqi oil sanctions

A US warship has intercepted a ship suspected of carrying Iraqi fuel in a breach of United Nations sanctions and diverted the vessel to Kuwait under escort for further investigation, Reuter reports from Kuwait.

"We boarded it and diverted it. It's loaded with diesel fuel that we believe to be from Iraq," a US navy spokesman said. "We have substantial evidence that she went to Iraq. . . The ship has been turned over to Knwait."

The guided missile cruiser Leyte Gulf, part of a ship monitoring operation carried ont in the past four years, stopped the Hondnran-flagged tanker Al Mahrousa in international waters in the northern Gulf on Saturday, the spokesman said. Navy and coastguard personnel boarded the Russlan-bnilt tanker to check whether it was violating the UN oll embargo imposed on Iraq over its 1990 invasion of Knwait, he added.

One shipping source said the vessel, which displaces about 7,300 tonnes when fully loaded, was carrying about 3,000 tonnes of diesel. It had an Egyptian and Pakistanl crew.

The Kuwaiti government was expected to work with the UN sanctions committee to decide what to do with the vessel. A Kuwaiti defence ministry spokesman said he understood the shlp would be brought into a Knwaiti port under escort later yesterday but declined further commeot.

Another Knwaiti official sald Kuwaiti naval officers were lnspecting the ship and would escort the vessel into al-Shuaiba port.

According to the US navy, the captain said the Al Mahrousa had been to Iran. But the ship had maps only for the Khawr Abdullah waterway leading into Iraq. It had no documentation, uo bill of lading and no manifest.

Kuwait radio said several of the crew indicated it had loaded diesel fuel in Iraq's port of Basra.

The US vessel that Intercepted the Al Mahrousa was part of the UN Maritime Intercept Operation that mooltors shlps comlug from or bound to Iraq in the Gulf.

The boarding was the second in 10 days and occurred amld heightened tension in the Gnlf reglon as a result of Iraq's troop deployment near the Knwaiti border earlier this month.

Kyrgyzstan vote clears way for December poll

By John Thornhill recently in Bishkek

President Askar Akayev of Kyrgyzstan was on course for a convincing victory in this weekend's controversial referendum amending the constitution and clearing the way for parliamentary elections in December.

Kyrgyzstan's electoral commission said preliminary results auggested that more than 70 per cent of those who had voted had approved the amendments.

The final count, which was expectad yeaterday, was delayed after sudden snowstorms hampered the horse-riders delivering votes in the more remote regions of the mountainous Central Asian state.

Before Saturday's vote, Mr Akayev said he hoped the referendum would lead to a more pro-reform parliament and stressed his commitment to the development of democracy in the country.

The previous parliameot, which was elected in 1990 before the collapse of the former Soviet Union, had frequently clasbed with the president.

Opposition politicians fiercely criticised Mr Akayev's arbitrary dissolution of parliameot and the banning of some outspokeo newspapers.

The Res Publica newspaper, the voice of Kyrgyz intelligentsia which resumed publication before the vote, strongly condemned the refereodum although voters in the streets of the capital, Bishkak, last week appeared largely indiffarent to its outcome.

Following the referendum'a approval, 35 parliamentary deputies will be elected to a lower house, responsible for drafting oew laws.

The upper house of 75 deputies will meet twice a year to scrutinise proposed legislation.

Westarn diplomats lo Bishkek fear Mr Akayev's actioo might signal a lurch towards a more authoritarian style of politics, common in the region.

They have urged the president to observe constitutional means for resolving disputes aod will now press for ioternational ohservers to scrutinise the forthcoming parliamentary elections.

Since 1991, Kyrgyzstan has establisbed a reputation as one of the most progressive states to emerge from the former Soviet Union.

Wedged between Kazakhstan and China and hoasting few natural resources, Kyrgyzstan moved quickly to create a market democracy which would attract foreign investment and harboured ambitions of becoming the "Switzerland of Central Asia".

The monthly inflation rate has been brought down to 0.7 per ceot although Kyrgyzstan's privatisation plans hava been slow to materialise.

So far, the international financial institutions have warmly endorsed Mr Akayev's reforms and have committed more money per head to Kyrgyzstan than to any other post-Soviet state.

A mission from the Overseas Private Investment Corporation (Opic), the US goveroment's iovestment ageocy, which was in Bishkek on Friday continued to express hacking for Mr Akayev's reforms.

Mrs Ruth Harkin, president of Opic, signed a deal committing more than $250m (£155m) of US government support to am American-Kyrgyz joint venture to extract and process gold from the Jerooy field.

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NEWS: INTERNATIONAL

Asian tiger cub heading for a tumble

Despite rapid growth, Malaysia's economic problems are brewing up, writes **Kieran Cooke**

It is tantamount to heresy to question the performance of Malaysia's economy. In the lexicon of economic analysis, Malaysia is one of Asia's emerging tigers. GDP is likely to grow by about 8.5 per cent this year and similar growth is forecast for 1995.

Dr Mahathir Mohamad, Malaysia's prime minister, is convinced that his country is on course to achieve its long term goal of full industrialisation by the year 2020, which requires more than 7 per cent growth in each of the next 25 years. "We are not an ambitious upstart, we are in fact very modest," says Dr Mahathir.

But is it all too good to be true? Amid all the euphoria, sceptics say, a number of problems are being brushed aside.

In its seventh year of plus 8 per cent growth the Malaysian economy is showing clear signs of overheating. Imports are growing faster than exports and consumer spending has risen sharply. The excess liquidity is causing inflationary pressures and wage rises are outstripping increases in productivity.

When Mr Anwar Ibrahim, the deputy prime minister and finance minister, delivers the budget this week, his overall message will be upbeat.

The good news for Malaysia is that the fast pace of export growth is being sustained. In the first seven months of 1994 total export revenues were M$83.7bn ($32bn) – a 22 per cent rise on the same period last year. The bad news is that imports grew even faster, up 30 per cent to M$84.3bn.

Malaysia's M$3.4bn external trade surplus from January to July last year turned into a M$606m deficit this year. Malaysia also faces an increase in its perennial deficit in services trade, such as shipping and insurance. There are forecasts that the deficit on the current account could widen to more than M$7bn this year, compared with a deficit of M$5.4bn last year.

Much of the increase in imports is due to the purchase of equipment associated with a multi-billion dollar programme to develop infrastructure and relieve bottlenecks caused by years of strong economic growth. Military and commercial aircraft imports have also been heavy.

Imports of consumer goods have risen by more than 20 per cent in the last quarter. Growth in consumption credit is well ahead of overall loan growth.

Official statistics show that despite strong economic growth, inflation has been kept in check at well below the 4 per cent mark. But many analysts say the figures are understated: prices for foodstuffs are rising faster than government statistics suggest.

The improvement on the foreign investment front cannot be disputed. In the first eight months of this year Malaysia approved more than M$7.6bn of foreign investment projects in the manufacturing sector – compared to M$6bn for the whole of 1993.

Some investors have become wary of China's economic prospects and are switching back to what they feel are the safer economies of south-east Asia. There has also been a sudden spurt in regional investment by Japanese companies keen to escape the burden of the high yen. The downside for Malaysia is that it imports far more from Japan than from anywhere else: already the price of the Proton, the Malaysian car, made in co-operation with Mitsubishi of Japan, has had to be increased due to the surge in the yen's value.

In the medium to long term there are concerns about Malaysia's ability to remain competitive with other fast emerging regional economies like Indonesia and Vietnam. Serious skills shortages constrain Malaysia's ascent up the technological ladder. A large part of Malaysia's manufacturing sector is still based on labour intensive enterprises.

Labour shortages have developed in virtually every area of the economy exerting upward pressure on wages. A recent survey found that nationwide wages rose 7.3 per cent in the first six months of 1994 while productivity increased by only 2 per cent.

Over the last 20 years the Malaysian economy has been transformed. Manufactured goods have replaced primary commodities as the main engine of economic growth. But Malaysia still has a narrow industrial base. Electronics and electrical appliances account for about 60 per cent of manufacturing exports. About two thirds of manufactured exports have import ratios of 60 to 80 per cent.

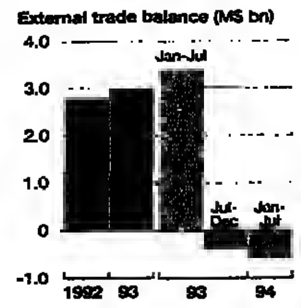
At this stage in their economic development South Korea and Taiwan were developing their own electronics and heavy industrial companies. This is not happening in Malaysia where multinationals dominate almost every sector of the electronics industry.

Professor Jomo Kwame Sundaram of the University of Malaya says that far more needs to be done to nurture the sources of industrial dynamism in Malaysia. "Unlike Japan, South Korea, Taiwan and even Hong Kong, Malaysian industrialisation has been heavily dependent on foreign capital and technology," says Professor Jomo.

Malaysia is proud of its economic achievements of recent years. But hubris could lead to unpleasant surprises ahead.

Malaysia

External trade balance (M$ bn)



Source: Bank Negara, Department of Statistics

ASIA NEWS DIGEST

Mahathir hits out at Japan

Dr Mahathir Mohamad, the Malaysian prime minister, has attacked Japan for failing to offer sufficient help to its fellow countries in east Asia. Dr Mahathir, on a visit to Japan, said Japan could make amends for its "past dark deeds" by playing a pivotal role in the region.

"We do not need apologies," said Dr Mahathir. "What we need it your co-operation and help to develop us." Dr Mahathir said he was dissappointed that Japan still did not want to support the East Asia Economic Caucus (EAEC), the Malaysian inspired idea for a regional trade forum. Malaysia has been pushing for the establishment of the EAEC but has encountered opposition from the US which sees it as a potential trade bloc. Japan is thought to be unwilling to support the EAEC for fear of upsetting its trade relationship with the US.

Dr Mahathir has shown increasing frustration with Japan on a number of issues, including what he feels is a Japanese reluctance to transfer technology to Malaysia's fast expanding economy. During his visit to Japan Dr Mahathir called for action to tackle Japan's large trade surplus with Malaysia. He said the rise in the yen had caused Malaysia considerable problems and Malaysia would not be seeking any more yen loans. Malaysia had tried to renegotiate its Japanese loans in the hope of reducing its debt burden. *Kieron Cooke, Kuala Lumpur*

Seoul city officials charged

South Korean State prosecutors yesterday questioned six senior Seoul city officials and charged five others with negligence in connection with the collapse of a main bridge in the capital which killed 32 people. Seoul Mayor Woo Myoung-Kyu ordered thorough inspections of all 17 bridges in the city to avoid a repetition of Friday's tragedy in which a central span of the Songsu bridge plunged into the Han River taking with it cars, vans and a fully loaded bus.

More than 500 rescue specialists from the army and police searched the river for the third day for bodies. The former mayor, Mr Lee Won-jong, sacked hours after the bridge collapse, told parliamentary hearings on the safety of Seoul bridges last week there was no cause for concern. Friday's collapse was the latest in a series of construction disasters in South Korea which engineers blamed on shoddy work, poor quality control and inadequate maintenance – failings seen as common in the nation's fast industrialisation of the past three decades. *Reuter, Seoul*

Cambodian minister to quit

Prince Norodom Sirivudh, the Cambodian foreign minister, yesterday announced his intention to resign. His decision follows the sacking last week of his friend and ally, the finance minister, Mr Sam Rainsy. Prince Sirivudh - also a deputy prime minister - had previously stated that he would step down if Mr Rainsy was removed from office.

Officially, Mr Rainsy departed in the interest of unity between the fractious partners in Cambodia's coalition government. In reality, he had made too many enemies in his battle against corruption, and had become too popular, too independent and too powerful.

Late last night, the Prince had still not tendered his resignation to the prime minister, Prince Norodom Ranariddh. But a senior foreign ministry official said "his decision to resign from the government is non-negotiable." *Jonathan Miller, Cambodia*

Singapore quizzes US academic

The US and Singapore are at loggerheads over the case of a Singapore-based American academic, only months after a bitter argument over Singapore caned an American teenager. Mr Christopher Lingle, a professor of European studies at the state-run National University of Singapore, has been questioned by the police over an article in the International Herald Tribune in which Mr Lingle referred to "intolerant regimes" in east Asia.

The Singapore authorities say Mr Lingle is being investigated for possible contempt of court and criminal defamation. The US state department has expressed its disappointment about "this apparent attempt by Singaporean authorities to intimidate Professor Lingle". *Kieran Cooke, Kuala Lumpur*

Indonesia gets $350m loans

The Asian Development Bank has approved loans to Indonesia totalling more than $350m (£216m) to pay for a power project and construction of vocational schools. A $272m loan would finance 1,800km (1,125 miles) of electricity transmission lines on Sumatra island, and $85m would be used to build 27 vocational schools and repair 12. Mr Ermansyah Jamin, head of the government's negotiating team on private power plants, said the country was expected to sign agreements with several foreign and local companies by the end of this year for the construction of four major power plants. *Reuter, Jakarta*

Rolls-Royce hopes for Asian breakthrough

By Paul Betts, Aerospace Correspondent

Rolls-Royce, the UK aero-engine manufacturer, has emerged in pole position to supply its new large Trent engines for the latest stage in the multi-billion dollar fleet expansion and renewal programme of Singapore Airlines (SIA).

The potential engine order worth $200m or more would represent a breakthrough for the UK company in the fast growing Asia-Pacific aviation market by penetrating one of the world's most profitable and prestigious airlines which has traditionally opted for US engines.

Dr Cheong Choong Kong, SIA's managing director, said the airline was planning to bring forward its decision to acquire between 10 and 20 new widebody twin engine aircraft both for expansion and replacement of older aircraft.

SIA is expected to decide early next year whether to opt for the European A330 twin engine widebody or its rival, the Boeing 777. Rolls-Royce is offering its heavy thrust Trent engines for both aircraft.

Although SIA has traditionally chosen Pratt & Whitney engines for its large airliners, Dr Cheong suggested that SIA was interested in diversifying its large engine suppliers now that its fleet was growing. SIA currently operates a fleet of 65 widebody aircraft and expects its fleet to grow to 111 aircraft by 2003. In June, it placed a record $10.3bn order for 52 Boeing and Airbus widebody airliners including firm orders and options. The new order would complete SIA's fleet renewal and expansion programme.

SIA has already had talks with Cathay Pacific, the Hong Kong based airline which flies a fleet of Rolls-Royce powered aircraft, over possible co-operation in engine maintenance. "The idea would be for SIA to service Cathay's CFM engines jointly built by General Electric of the US and Snecma of France while Cathay would service SIA's Trents if it were to go ahead with a Trent order," said another Asian airline executive in Singapore.

SIA has 17 Airbus A340 four engine aircraft on firm order, all powered by CFM engines similar to those equipping the A340s ordered by Cathay. In turn, Cathay has ordered Trent powered Boeing 777s and Airbus A330s. The competition between the three leading engine manufacturers (GE, Pratt & Whitney and Rolls-Royce) to supply their new heavy thrust power plants has become intense because of the huge sums invested in developing these engines in the midst of the worst post-war recession in civil aviation.

Senior Rolls-Royce executives have recently stepped up their campaign with SIA including visits this month from Sir Ralph Robins, the Rolls-Royce chairman, and Mr John Rose, head of the UK company's aero-engine activities.

SIA half year profits, see second section

INTERNATIONAL PRESS REVIEW

Politician's pet spills the beans

JAPAN

By Emiko Terazono

Mainstream political journalism in Japan has come under fire over its close relationship with politicians. The debate has been fanned by a recent article by Mr Shiro Tazaki, a political reporter with tha Jiji Press news wire service, and based on off-the-record conversations with Mr Ichiro Ozawa, the backroom strategist of Japanese politics.

Japanese journalists have excellent access to the inside stories and political machinations behind the news. However, very little of this finds its way into print due to reporters' overriding interest in maintaining a favourable relationship with the news source. Mr Tazaki's account, which appeared in last month's *Bungei Shunju*, a highly regarded cultural and business monthly, reveals an affiliation which went too far.

Mr Tazaki disclosed that on the eve of Mr Toshiki Kaifu's appointment as prime minister, Mr Ozawa asked him to "take his reporter's badge off" and help mastermind a question and answer manual for a press conference given by Mr Kaifu.

Mr Tazaki, nicknamed "Ozawa's bodyguard" by colleagues until he was unexpectedly ousted from Mr Ozawa's clique two years ago, goes on to say that if the relationship had remained on favourable footing, he would have spent the summer in Mr Ozawa's country retreat playing golf during the day and discussing politics over dinner.

For the ordinary reader, the exposé has entertaining passages containing Mr Ozawa's comments on his fellow politicians revealed to Mr Tazaki in private.

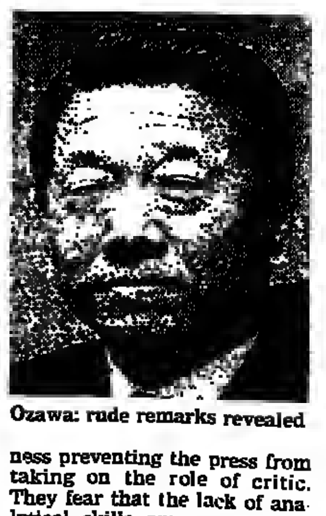
The piece illustrates Mr Ozawa's Machiavellian qualities. It quotes Mr Ozawa denouncing Mr Kaifu, a former prime minister, as intellectually inferior to his predecessor Mr Sosuke Uno. Mr Noboru Takeshita, Mr Ozawa's former mentor of the Liberal Democratic Party and now arch rival, is referred to in less than flattering terms.

Most mainstream Japanese journalists know Mr Tazaki is not alone in developing an intimate relationship with politicians. In an industry where a journalist's ability is judged on how far he or she can follow a politician into his living room or bedroom, Mr Tazaki was considered an ace reporter.

Now fellow journalists have been angered by his revelations, and many question the ethics of breaking an off-the-record agreement with a news source. The high-minded dailies have not even covered the issue. But their initial response, initiated by the *Shukan Gendai*, a weekly magazine read by office workers, was to complain that politicians would not talk freely to the press as a result.

Ethics were brushed aside by the down market *Focus* magazine, which offers readers a range of political, show business and sports gossip. It applauded the piece as "unveiling an influential politician's real thoughts". The pictorial weekly also poked fun at the panic among politicians caused by the article, quoting a MP who sympathised that "Mr Ozawa must feel like he's been bitten by his pet dog".

Yet many Japanese journalists recognise such unhealthy proximity between reporters and their sources as a weakness preventing the press from taking on the role of critic. They fear that the lack of analytical skills among reporters could eventually lead to a complete loss of what remains of their credibility.



Ozawa: rude remarks revealed

In *Diamond*, a business weekly, Ms Yoshiko Sakurai, a column writer, approves of Mr Tazaki's attempt to reveal Mr Ozawa's "real personality" to the public. However, she questions why the public were not acquainted with politicians true characteristics in the first place. Was it because reporters like Mr Tazaki had suppressed their role as journalists and resorted to work for politicians, she asked.

In this month's *Bungei Shunju*, Mr Yasuhiro Tase, a senior reporter at *Nihon Keizai Shimbun*, the leading business daily, and Mr Takashi Tachibana, a freelance journalist who uncovered politicians' links to the Lockheed bribery scandal in the 1970s, also questioned the future of Japanese journalism.

Mr Tachibana points out the involvement of journalists in politics is not only behind the scenes. Media executives are often on government advisory committees and lose their objectivity towards controversial issues, he says.

The two reporters agree that breaking a rule is undesirable, but claim that reporters should not let the relationship with a news source overcome the need to report an important matter. "Whenever there is a conflict between a journalist and a politician, the Japanese media seems to side with politics," says Mr Tase, an author of a controversial book on Japan's political journalism.

They cite the need for more journalists who do not take the current system of political reporting for granted. "If more reporters refuse to take their notes to their graves, the relationship between politicians and journalists could become more mature," says Mr Tachibana.

NEWS: UK

Secret contributions were made by merchant bank linked to government of Kuwait

Interest on loan went to Tory party

By Robert Peston in London

The Conservative party received ten of thousands of pounds in secret contributions from a merchant bank with close links to the Kuwait government.

According to documents obtained by the Financial Times, the bank, Robert Fraser and Partners, was financed to a substantial extent by a Panamanian corporation, Blackford Holdings Corporation, which itself received about £100m from the Kuwait government.

Robert Fraser and Partners made the political payments by putting money on deposit with the Conservative party's bank and giving instructions that all interest should be transferred to the party.

The disclosure of this complex mechanism for making payments to the Conservativa party, involving finance from a foreign government, will add to pressure for reform of the way that in which UK political parties are financed.

Mr David Blunkett, the former Labour party chairman, said that to "avoid any inference of impropriety", all parties should refuse overseas contributions and should disclose all donations in excess of £2,000. Robert Fraser and Partners, which had several laading Conservatives as directors and consultants, placad deposits of ahout £200,000 in a special account with the Conservative party's bankers and gave instructions that all interest should be transferred to the Conservative party.

The arrangement was in place for approximately three years in the mid 1980s. At rates of interest prevailing at the time, the Conservative party would have received tens of thousands of pounds.

The bank's annual reports show only small contributions to the Conservatives: in 1986, a payment of £2,000 to its Industrial Fund, a fund-raising arm of the party, and tha following year a contribution of £5,000 to the party itself.

Robert Fraser and Partners' business was closely linked to Blackfords'. The Panamanian company accounted for more than half of all deposits placed with the bank, according to a Bank of England analysis.

Blackford itself was financed to a substantial extent by the Kuwait government. It received £86m in cash from Kuwait, via the London-based Kuwait Investment Office, in 14 contributions between February 24 1984 and July 23 1990. In a letter to the KIO on December 11 1991, Robert Fraser requested a further £15m injection for Blackford.

Robert Fraser and Partners' board was chaired by Lord Rippon, the formar Conservative cabinet minister. Another director was the Tory MP, Mr Nicholas Soames. Sir Dennis Walters, a Conservative MP at the time, was a consultant to the bank as well as an adviser to the Kuwait Investment Office. Lady Archer, the wife of the best-selling novelist and former Conservative party deputy chairman, Lord Archer, was also a consultant to the group.

The plan of transferring interest to the party was the brainchild of Mr Colin Emson, Fraser's chief executive, who for years had been a leading member of the Conservative Industrial Fund, a group of industrialists and bankers who raise cash from business for fighting elections.

Mr Emson hoped it would in effect be a pilot for a far more ambitious party fund-raising scheme, which would have involved big public companies making interest-free loans to the Conservative party. The party would have placed the cash on deposit and pocketed the interest.

The rationale was that public companies would not have needed to disclose the loans, although they must disclose direct contributions.

Lord McAlpine, then the party's honorary Treasurer, rejected the proposal, because he was concerned that raising money in that way might be seen as breaching the spirit of the law, if not the letter.

Robert Fraser and Partners surrendered its banking licence on September 30 1992. Much of its loan portfolio was transferred to Aston Finance Corporation, another Panamanian company linked to Blackford.

The government is to review its code of conduct for ministers in an initiative to counter the recent spate of allegations of financial impropriety, David Owen writes from Westminster. Mr David Hunt, minister for public service, said yesterday the government would "look at anything which is possible to prove to people" that the highest possible standards applied in British public life.

Mr Hunt acknowledged in an interview with the BBC that an outside body might be set up to inquire into the area of MPs' outside interests, saying such a step was "always an option." But he said it was "very difficult . . . to argue in precise terms about what sort of inquiry there should be when parliament has already decided to set up a Committee of Privileges investigation." He hoped that committee would "find a way of looking into the wider issues involved so that if there is a need for new guidelines, they will be drawn up."

His comments came after Mr John Biffen, a former Conservative cabinet minister, argued that an inquiry conducted by people drawn from outside the House of Commons might be needed. Sir Norman Fowler, the former Conservative party chairman, said last week that the best way forward would be to set up an independent body to examine the whole question of MPs' outside interests modelled on the Cadbury committee on corporate governance.

Optimism up among sales managers

The UK's sales and marketing managers have become more confident over the past three months, says a survey by the *Chartered Institute of Marketing*, our Economics Correspondent writes.

One in five of those surveyed expects to beat sales targets this year compared with one in 10 of those surveyed in July. A further 47 per cent of managers expect to match their sales targets.

However, the managers' planned rate of sales growth this year is only 6.4 per cent, down from 7.1 per cent in the previous year. Service-sector companies expect faster sales growth than manufacturing companies.

The survey shows little sign of inflationary pressure in the economy. Managers expect to increase prices by only 1.7 per cent during the current year.

The institute says tha survey points to an economy that remains buoyant, with subdued inflation but with slower growth in the second half of the year than in the first. 310 managers were interviewed between September 27 and October 5.

Pay for directors rising much faster than inflation rate

By Richard Donkin, Labour Staff

Pay rises for company directors in the UK are running on average at almost three times the rate of inflation, a report says today. Sedgwick Nohle Lowndes, a pay and benefits consultancy, says the average pay increase for directors in the last 12 months was 6.1 per cent. Deputy chief executives did best of all with average rises of 9.2 per cent.

Chief executives did not appear to do so well, with their average salary increasing by 5.1 per cent from £91,779 a year to £96,484 a year. Divisional managing directors did better with more than 8 per cent.

The survey, following an earlier report by Bacon & Woodrow which put annual directors' pay increases at 8.5 per cent, is further evidence that executive pay rises have been running well ahead of average earnings. The underlying average earnings rate in August was 3.75 per cent.

But the upward trend in pay increases appears to have been stemmed in the past three months. "For the first time in nearly five years we are seeing a fluctuation in the market where, in one quarter the salaries are marginally up and, in the next, they are dipping down again," said Mr Andy Christie, the company's remuneration consulting director.

The average increase for all executives was 5 per cent, said the report, adding that the highest average pay rises, of 5.2 per cent, were to executives based in the Midlands and the north of England.

Almost half of the executives surveyed were receiving bonuses for achieving performance targets compared with just over 44 per cent at the time of the last report in June.

Union campaigns in the late 1980s to cut working hours in the engineering sector led to higher employment, research for the government shows, our Labour Editor writes. The findings will not please ministers who have argued that reduced hours wonld cost jobs. The report contests the view that a cut in hours is a disguised increase in wages through a rise in overtime.

UK NEWS DIGEST

Details of prince's affair disclosed

The relationship between Prince Charles and Mrs Camilla Parker Bowles, the wife of a brigadier, was "the most intimate friendship of his life", says the book described by members of the prince's staff as his "authorised" biography. A second extract from Jonathan Dimbleby's book The Prince of Wales, A Biography, to be published next month, appeared yesterday in The Sunday Times, part of Mr Rupert Murdoch's media empire. The extract said the prince, now 45, had three affairs with Mrs Parker Bowles, who is 47. It also said he initiated the separation from his wife, Princess Diana (33), after he felt he was in effect being denied access to his children, Prince William and Price Harry.

Mr Dimbleby had access to many of the prince's private papers in preparing the book and says that the prince and Mrs Parker Bowles have remained close friends since they met more than 20 years ago. Yesterday's extract from the book says the prince intends to create a new royal house called Mountbatten-Windsor when he is crowned. The present House of Windsor was created in 1917 by King George V, the prince's great-grandfather. His great-uncle and mentor, Lord Mountbatten, was killed by the IRA in 1979.

Disruption at Heathrow

Builders worked through last night to prevent an office building at London's Heathrow Airport from sliding into a hole. The two-storey building was said to be "in imminent danger of collapsing" after heavy rain. Flights were delayed as many passengers found themselves stranded in traffic jams and the Terminal 3 car park was closed for safety checks.

Earth began slipping into a railway tunnel on Friday during construction work near the Terminal 3 car park on the £300m ($474m) Heathrow Express Rail Link from the airport to London Paddington. Heathrow police said today that the empty office building nearby was in danger of collapsing after engineers were unable to pump concrete under it fast enough to stop the land subsiding. "The building is at a very weird angle and will probably have to be demolished," said an official.

Investigation of airport project

A government inspector will open an inquiry tomorrow into an application by British Aerospace for permission to turn its testing facility at Filton near Bristol into a commercial airport. In the 1960s Filton was the main UK testing ground for the Anglo-French Concorde supersonic airliner.

The business community in western England regards the outcome of the inquiry, likely to end in mid-January, as one the most important issues for the region's economic future. "The south-west is probably the only region in the UK left without a decent regional airport; we need one," said Mr Chris Curtis, director of the south-west region of the Confederation of British Industry, the main employers' organisation.

But there is widespread local opposition to the proposal. More than 4,000 houses have been built within two miles of Filton in the past 10 years. After heated public meetings by residents and thousands of protest letters, the local council has decided to oppose BAe's proposal. Another opponent is Bristol City Council.

How to escape from receivers

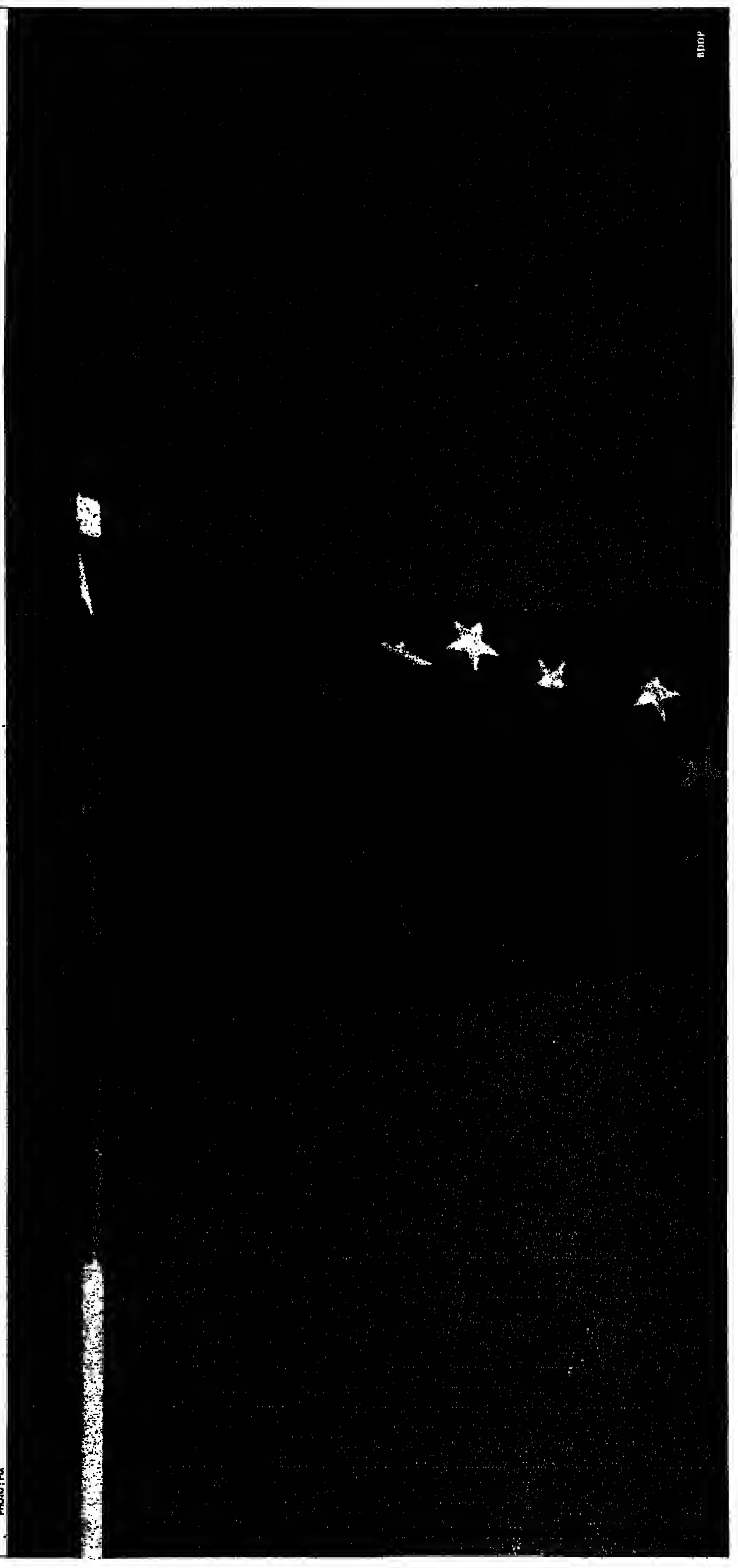
A survey published today shows that for every company which enters receivership nearly two others survive their financial difficulties after the appointment of an investigating accountant. The Society of Practitioners in Insolvency said this meant that about 7,000 companies were in a financial situation which seriously concerned their banks during the year to June 1994. Investigating accountants are paid by companies which call them in to look at the viability of the business. Often banks request a company in which they have an interest to call in the investigators .

Mr Ian Bradbery, president of the society, said that in 61 per cent of cases in the survey investigating accountants recommended a solution other than insolvency when they had investigated the health of the business. "It appears that our profession is quite independent enough to take a true and fair view of a troubled business's prospects and that an investigating accountant appointment is not the first step to receivership some have suggested it to be, " he said.

Master's degree for directors

A master's degree in company direction has been launched by Leeds Metropolitan University and the Institute of Directors. The degree differs from the conventional Master of Business Administration degree in being aimed at peopls who have already made it to the boardroom rather than those aspiring to get there. Courses – fees for which are £13,000 ($20,540) – are run in a series of two-day modules to minimise absence from the boardroom.

Research sponsored by the institute two years ago showed that 92 per cent of company directors received no training in how to be directors. The institute backs a part-time diploma course run under regional franchises by several universities – the fees are £4,000 a head. Leeds will allow diploma holders 24 academic credits towards the 120 needed for tha new master's degree, which is being offered nationally at a cost of £9,000 per student.



MANAGEMENT

Andrew Baxter looks at a German lift-truck group which is raising its profile through expansion

Sights set on higher ground

Over the past six months there has been an upsurge of interest in learning German at Leighton Buzzard, the small Bedfordshire town where Boss Group, formerly Lancer Boss, makes its lift trucks.

"I've been bombarded with requests for German lessons," says managing director Jim Porter. Hardly surprising, perhaps, given that Boss was taken over in May by Jungheinrich, the Hamburg-based lift-truck producer, after one of the most controversial UK receivership sagas in years.

Yet the old Lancer Boss Group had made its first significant European acquisition in Germany as long ago as 1983 when it bought Moosburg-based Steinbock. "Half of our turnover and staff were German," says Porter, "but attitudes were very insular." Six months after the takeover, there is still a palpable feeling of relief in the air at Leighton Buzzard as production of lift trucks continues and prospects brighten. The visitor feels a bit like an intruder on an extended honeymoon.

"We are delighted by the acquisition, and hope they are by us," says Porter – an oblique reference to workers' fears that a rival bidder would *have* closed the plant down.

Amid the sweetness and light, it is clear that Boss is being transformed into a different company from what it was under its old owners and founders, Sir Neville Bowman-Shaw and his brother Trevor.

Yet Jungheinrich, the new owner of both Boss Group and Steinbock (which it snapped up within days of the receivership), has also been changing over recent years. For all the heat generated by the receiverships of both the UK and German ends of Sir Neville's empire, scant attention was paid to the strategic ambitions of the ultimate acquirer.

While Bob Bischof, chairman of Jungheinrich GB and now of Boss Group, featured regularly in the blanket coverage given to the saga by the UK press, Jungheinrich's management board chairman, Eckart Kottkamp, kept a relatively low profile.

Jungheinrich, along with many in the German engineering sector, has traditionally preferred to let its products do the talking. Founded in 1953, it went public in 1990, although all voting shares remain in the hands of the Lange and Wolf families.

Now Kottkamp has spoken at length about how Jungheinrich has survived the recession, why it bought Boss and Steinbock, and what it plans to do with them.

It has been a difficult recession, he admits. "Reunification in Germany blew up the industry's capacity beyond its real need, so when the drop in demand came, the effect was worse," he says. "There was tremendous pressure on prices, and the only exit was on the cost side."

Costs had to be cut, and all functions were examined to see if they were strictly necessary. There were lay-offs to adapt to capacity needs – 600 people or 9 per cent of the workforce last year, mainly in manufacturing. Organisation structures, from the factory floor to the domestic sales and service operation, have been drastically reorganised to improve the service for customers.

So far, so conventional, perhaps – at least in an Anglo-Saxon industrial context. But, quietly, Jungheinrich has also been doing the kind of things that would have been unthinkable in many German engineering companies before the downturn.

Its changing approach to manufacturing is a case in point. Last year Jungheinrich agreed to form a joint venture near Brno in the Czech Republic with Linde, its bigger German lift-truck rival, producing electric motors for both companies worldwide.

This was a significant move for the Hamburg company. While Boss was, and is, essentially an assembly operation, Jungheinrich, in common with many German engineering companies, used to lean heavily towards the "make" side of the "make or buy" parts dilemma.

Now, says Kottkamp, it wants to concentrate on manufacturing only what is significant for Jungheinrich's competence, or what the customer recognises as its competence and is prepared to pay for. Hence the motors joint venture, which has cut Jungheinrich's motor costs by 40 per cent.

Overall, Kottkamp aims to lower what be calls "manufacturing depth" – or the amount of value added that is generated in house – to 35-40 per cent. Some products are at that stage already, but others are still above 50 per cent, he says.

As part of this strategy the company set up an office in the Czech Republic in the spring of last year to co-ordinate the purchase of parts from east European suppliers. These are currently simple parts, such as steel fabrications, counterweights and some gear parts. On top of this, refurbishment of lift trucks has this year mainly been switched from Germany to a long-established partner in Slovenia.

The recession in western Europe, he says, also forced many suppliers to increase their competitiveness, offering "interesting opportunities" for Jungheinrich in countries such as the UK and Italy, as an alternative to sourcing in Germany or own manufacture.

All this enabled Jungheinrich to take DM74m (£31m) out of its operating costs last year, when its sales dipped from DM1.6bn to DM1.4bn, ending a long period of continuous growth.

To give itself more protection from the ups and downs of the lift-truck market, Kottkamp has also been spearheading a diversification drive. "The lift-truck industry is an oligopoly, and all the other producers are part of big groups which are active in other fields. In the long term it is better to have some balancing activity," he says.

In January, it made the first step towards building up a second leg, when it bought Bellenberg-based Wap Reinigungssysteme, one of Europe's biggest producers of high-pressure cleaning equipment used in industry.

For three years the company was looking for a business which it could judge and understand, says Kottkamp. The target it was looking for was expected to have growth prospects at least equal to or higher than lift trucks. The chosen deal appears to fit the bill given the environmental and quality issues surrounding the cleaning equipment industry. But the decision to get yet deeper into lift trucks only four months later seems perverse.

Kottkamp, however, strongly defends the purchases of both Steinbock and Boss. First, he sees the possibility of broader market coverage, combining Jungheinrich's strength in the distribution sector and large production companies with that of Boss – and especially Steinbock – in small and medium-sized production companies.

Second, Jungheinrich recognised the need to develop a full line of lift-truck products, offering customers a one-stop approach to all their materials handling needs – a philosophy that Linde has already used to good effect. So the Boss products – counterbalanced engined-trucks, sideloaders and vast container handlers – matched Jungheinrich's battery-powered warehouse equipment.

Third, says Kottkamp: "We thought we could realise very fast synergies." Jungheinrich's French company MIC could take on production formerly located at the Boss Barcelona plant, which was not included in the purchase. Some production of counterbalanced electric trucks will move from Nordstedt, near Hamburg, to the Steinbock plant at Moosburg, near Munich.

From next year, production of a range of small IC-engined trucks will shift from Moosburg to Leighton Buzzard. The aim is to achieve economies of scale, but Kottkamp points out that Jungheinrich is also reducing Europe's lift truck plants by two – Barcelona and Boss' ill-fated Hyco plant in Italy – thus easing the industry's overcapacity problems.

Both Kottkamp and Bischof are delighted by the strength of the Boss product range. Delighted, because the container-handlers in particular have established a world-leading position, and a very strong presence in Asia, which Jungheinrich can build on.

They seem surprised, too, because it is hard to see how such products could emerge from a fragmented, untidy manufacturing operation at Leighton Buzzard, with no Cadcam system, high management turnover and chronic cash problems that infuriated suppliers.

Bischof, a tidiness fanatic, says more than 500 tons of scrap have been removed from Leighton Buzzard since the takeover. A strong proponent of the takeover from the outset, he admits to having been anxious that executives from Hamburg might have pulled out after he had shown them round.

Kottkamp agrees there is "clearly room for improvement" at Leighton Buzzard, but believes "the failure of Lancer Boss was due to other areas and not to the manufacturing facilities". He is also encouraged by the competence of Boss managers.

If Bischof's ambitious plans for Leighton Buzzard are approved by Hamburg, the plant will be transformed over the next few years into a world-class volume manufacturer of lift trucks. The Boss chairman also wants to achieve a mixture between the "chaotic creativity and speed" he has found there and the stricter, more organised structure of Jungheinrich.

This partly explains why Boss is being kept as a separate company, a decision that may puzzle advocates of complete integration after takeovers. There will be central financing of the whole group, says Kottkamp – thus correcting a big weakness of the old Lancer Boss – and some common purchasing of parts. Steinbock, for example, would get its electric motors from the Brno joint venture.

There will also be "a continuous flow of personnel" between the UK and Germany, he says, enabling Jungheinrich to improve its understanding of the new UK subsidiary.

But Jungheinrich has recognised that the products made at Leighton Buzzard are different from its own, and it makes sense to retain Boss' product development skills and identity, rather than disperse them throughout the organisation.

The decision to retain Steinbock as a separate unit within Jungheinrich is perhaps more debatable. Steinbock makes electric trucks for Boss, but its own range competes with that of Jungheinrich in a number of product areas.

It is an approach that can be wasteful, because incomplete integration can reduce the benefits of "synergy". Kottkamp points out, though, that different truck-types are being concentrated at certain plants, creating centres of manufacturing excellence.

The two brands, Jungheinrich and Steinbock, need to be maintained because of their strengths in different market sectors. This means there will be some overlapping, he says, but competition between brands would be limited.

With its expanded product range and geographical spread, Jungheinrich now has the opportunity to become a truly global competitor, rather than a big player in European alone. So it will not mind spending a bit on German lessons at Leighton Buzzard.

Ambitious plans: Bob Bischof and Eckart Kottkamp (inset) are delighted by the strength of the Boss product range but acknowledge that there is room for improvement

PIONEERS AND PROPHETS

Chester Barnard

Barnard (1886-1961) was a rarity among management thinkers this century in actually holding down a proper job.

After Harvard – which he left before completing his degree – he joined the statistical department of American Telephone and Telegraph, a company where he was to remain for the next 40 years. He ultimately became president of New Jersey Bell.

Barnard is not everyone's favourite inspiration today but his writings are described in Tom Peters's and Robert Waterman's book *In Search Of Excellence* as "probably the first balanced treatment of the management process".

His essential message was that authority in an organisation only exists in so far as the people working there are willing to accept it. Small groups can operate informally, but as they grow they have to establish formal systems to make sure that organisational goals are fully understood and that *individuals can* be motivated in support of the organisation's "purpose".

Barnard identified today's "organisation man" stating that "the most important single contribution required of the executive, certainly the most universal qualification, is loyalty, domination by the organisation personality".

He ennunciated three principles of communication which he applied at New Jersey Bell and which are pertinent given today's "flatter" corporate structures.

- Make sure everyone knows what the channels of communications are.
- Make sure there is a formal channel of communication to tie in every member.
- Make the line of communication as direct or short as possible.

Despite the importance attached to it by some of today's gurus, Barnard's work remains largely neglected, partly because it is fairly impenetrable. Barnard admitted that *The Functions of the Executive* – the book of his lectures – took five to 10 readings to understand.

The man whose intellect a Harvard professor once equated with that of Leonardo da Vinci was one of the first thinkers to talk about the chief executive as shaper and manager of share values in an organisation. He contrasted this concept with that of the authoritarian, manipulative manager working strictly on a system of rewards and short-term efficiency.

Barnard saw business organisations as the most effective means of achieving widespread social advancement: he believed the church and state had failed because they were concerned primarily with authority rather than co-operation. He would have been at home with today's concept of company stakeholders (employees, investors, suppliers and customers). "I rejected the concept of organisation as compromising a rather definitive group of people whose behaviour is co-ordinated with reference to some explicit goal or goals. In a community all acts of individuals and of organisations are directly or indirectly interconnected and interdependent."

Tim Dickson

Accounting for the undeserving rich

ADRIAN FURNHAM

The minimum wage debate won't go away. It is now so well rehearsed among the politically aware that both the arguments and the best examples are known to all.

But now there is a new twist. Prominent left-wing politicians have usurped the old Victorian distinction between the deserving (widows, orphans, the aged) and the undeserving (the feckless, drunkards, scroungers) poor and applied it to those at the other end of the spectrum.

We thus have the new concept of the undeserving rich. But precisely who they are and how they are defined is unclear. The Victorians would probably applaud self-made millionaires who, through ability and effort, created wealth for themselves and others. They might have been less charitable to pools winners; but their attitude to inherited wealth was more ambiguous.

In the 1970s some people were taxed at 98p in the pound, which seems a clear indication someone thought that people in this income bracket didn't need or deserve any more.

But how to decide on this barrier: £100,000; £50,000 or even £30,000? Because it is so easy to adapt, some well-padded people find it inconceivable they could "exist" on amounts others think is a fortune. As the late Duchess of Windsor said: "One can never be too thin or too rich."

I have recently spotted an important gap in the market. There is an ever-growing collection of anthologies covering every sort of poetry: the *Oxford Book of Comic Verse, Christian Verse* and *Garden Verse*. But nowhere can I find the *Book of Monogement Poems*. Has none been written? Are managers passionless or simply too busy?

Perhaps the experience of managing and being managed is so mundane and commonplace that all poetry is management poetry. But there is joy, elation, fury and disappointment at every turn in the world of work. Alas, try looking up job, employment, work or manager in the appendix or topic index of a great general book on poetry and you're not likely to find much.

Whilst there are many poems whose reflections and ruminations on the human condition are extremely apposite for managers, none appears to dwell on the agony or ecstasy of management. Why have we no "Elegy on an Executive Washroom"; "Ode to a Senior Executive" or even "Lines on a Favourable Flipchart"?

One of the great charms of poetry is that certain memorable lines are frequently quoted (and misquoted). Would a sonnet in iambic pentameter be too much for the businessman? Or perhaps the limerick or the clerihew are more the sort of thing the corporate culture might ordain.

Managers, like parents, realise that you need both carrot and stick to motivate and persuade.

The promise of reward and the threat of punishment are powerful weapons in the armoury of the average manager who needs to discipline and encourage.

Some managers don't believe in punishment, preferring only to withdraw reward when displeased. Others, from "the school of hard knocks", believe that birching – whether psychological, monetary or physical – never did anyone any harm.

But researchers in London using pharmacological and brain lesion work, as well as personality tests, have found impressive evidence of two quite different brain systems.

One means that certain people are highly sensitive to cues of reward and are disposed towards them. The other means that people are especially responsive to punishment cues and experience great anxiety in situations where there is impending or possible punishment. Thus some people will do anything for reward and ignore the risk of failure, while others are cautious and will do anything to avoid punishment.

Are marketing people differentially sensitive to reward and accountants differentially sensitive to punishment? Marketing managers' offices are often festooned with awards and prizes. This seems to contrast starkly with the minimalism of accountants whose offices lack all adornment.

Maybe it is true that extroverted, hail-fellow-well-met marketeers can best be managed by lots of reward. Equally, the threat of public humiliation alone may be enough to deter the introverted, cautious accountants from misbehaving and cause them to work very hard.

But the message is clear – threats, even the enforcement of punishment, may be quite ineffective for some employees, while the promise of small, even significant, rewards may be quite unappealing for others. The trick, of course, is knowing which type of person is which.

The author is head of the Business Psychology Unit of University College London.

FINANCIAL TIMES SURVEY

ZAMBIA

Monday October 24 1994

Zambia is making a fresh start, with a radical structural reform programme. But will the medicine prove too strong? **Michael Holman** investigates

Toughest test is yet to come

Zambia marks its thirtieth anniversary of independence today in sombre mood. Rich in minerals, with abundant good farm land, and boasting game parks whose tourist potantial has barely been tapped, the country should be flourishing.

But mismanagement – notably a disastrous nationalisation programme – and misfortune, including regional wars, hava taken their toll. Life expectancy is falling, infant mortality is rising, and per capita income is lower today than it was 30 years ago.

Zambia, is making a fresh start, however. Just three years ago, President Frederick Chiluba's Movement for a Multiparty Oemocracy (MMD) swept to power in the country's first democratic elections for two decades. It ended 27 years of Kenneth Kaunda's autocratic rule, with a pledge to reverse the country'a economic decline and restore political freedom.

Today, President Chiluba presides over a radical structural adjustment programme which with the assistance of aid worth $1bn a year is transforming the economic environment. The toughest test of Mr Chiluba's presidency, however, is yet to come: the state-owned Zambia Consolidated Copper Mines (ZCCM), responsible for more than 90 per cent of export earnings, has to be privatised if it is to survive.

Output has slumped from a peak of 700,000 tonnes a year in the mid-1970s to less than 400,000, and it owes creditors $640m. Only foreign investment can save the fourth-largest copper producer in the world, and this requires a volte-face as rich in symbolism as the 1969 nationalisation.

At that time, the move was greeted as heralding a new era for a country that was once little more than a fiefdom of Cecil John Rhodes' British South Africa Company. No wonder, then, that when Kenneth Kaunda, Zambia's founding president, brought the mines under state control, he could not resist sounding a triumphant note.

Rhodes' vision of the Company blazing a commercial trail from Cape to Cairo, in the name of an Empire run by Englishmen, "is now buried" declared Mr Kaunda, "and I hope and pray, never to rise again in this part of Africa".

Rhodes may have the last laugh. Privatisation will mean that boardrooms in Johannesburg and London will once again determine the development of the mines, still at the heart of the economy.

Resuscitating the mines by cutting the 50,000-strong labour force by as much as a third, and offering former owners the chance to resume the management role they were forced to surrender 15 years ago, is a complex operation which carries with it considerable political risks. Yet it will be the yardstick by which the Chiluba government will be jndged, notwithstanding the progress already achieved.

Trade has been liberalised; subsidies removed; privatisation of othar nationalised industries is under way; foreign exchange controls have been lifted; the budget deficit reduced; and inflation rates brought down from 187 per cent last year to a forecast 30 per cent in 1994.

After years of one-party rule, the electorate enjoys a choice of three main parties and a lively press. An outspoken private sector does not hesitate to criticise government policies.

Reform is under way in other areas. A respected lawyer, Mr John Mwanakatwe, heads the commission looking at ways in which the country's constitution can be strengthened. A land commission is investigating changes to the system of communal land ownership and introducing individual freehold tenure.

The MMD government's reputation, however, has suffered gravely since taking office. A dozen ministers have been dismissed or resigned, some following allegations of involvement in corruption and drug-running, others in protest over the same issues.

For both Mr Kaunda – who may be attempting a political comeback under the banner of the United National Independence Party (Unip) – and Mr Baldwin Nkumbula, leader of of the National Party, the past three years have provided plenty of ammunition as they prepare for an election no more than two years away. The sleaze factor, retrenchment, cuts in food subsidies, and the introduction of user fees in the health services, have all strained the patience of a long-suffering electorate.

Mr Nkumbula has also seized on the ZCCM issue, arguing that there is an alternative to selling off the mines – although not, so far, explaining what this could be.

Notwithstanding these difficulties, Mr Chiluba maintains that Zambia is "on the right track". Structural adjustment is a necessity, he argues: it is the cure, not the cause, of the country's difficulties.

For all the encouraging macroeconomic indicators, many Zambians fear that the medicine may prove too strong for the patient, whose growth was first stunted during the colonial period, then further retarded after independence.

Had Zambia been better prepared for independence, it might have been better equipped to cope with the pressures that followed. One of the most serious obstacles not only to post-independence development, but to the successful implementation of the current structural adjustment programme is the acute shortage of skills. There is also the weak agricultural base. Both handicaps can be traced back to the colonial legacy.

Zambia came to independence with little more than 100 graduates and 1,000 secondary school leavers, an indictment of a system which permitted the remittance of millions of pounds in dividends and profits from the copper mines while only a fraction was reinvested in the country's social services and infrastructure.

Nor was it an accident that the agricultural sector had a few hundred commercial farmers, compared to 5,000 in Southern Rhodesia. Northern Rhodesia, as Zambia was known, was kept as an economic hinterland for its southern neighbour – hence African nationalist opposition to the Central African Federation of Southern and Northern Rhodesia and Nyasaland (now Malawi) from its inception in 1953 to its demise 10 years later. It was barely a year into independence wben Zambia reeled under the first of a series of external blows – the unilateral declaration of independence by Rhodesia (now Zimbabwe).

A landlocked country, and thus especially vulnerable to dislocation of trade routes, Zambia has never known peace in the region. The conflict in neighbouring Mozambique ended only two years ago, while Angola is still at war. Until 1990, Zambia was a victim of destabilising tactics by South Africa. Further external factors over which Zambia had no control proved to be body-blows: the mid-1970s fall in the price of copper, from which the economy has never fully recovered, and the soaring oil prices of the 1970s. Whether the present reform programme, essentially determined by the donors, takes this history into adequate account is questionable.

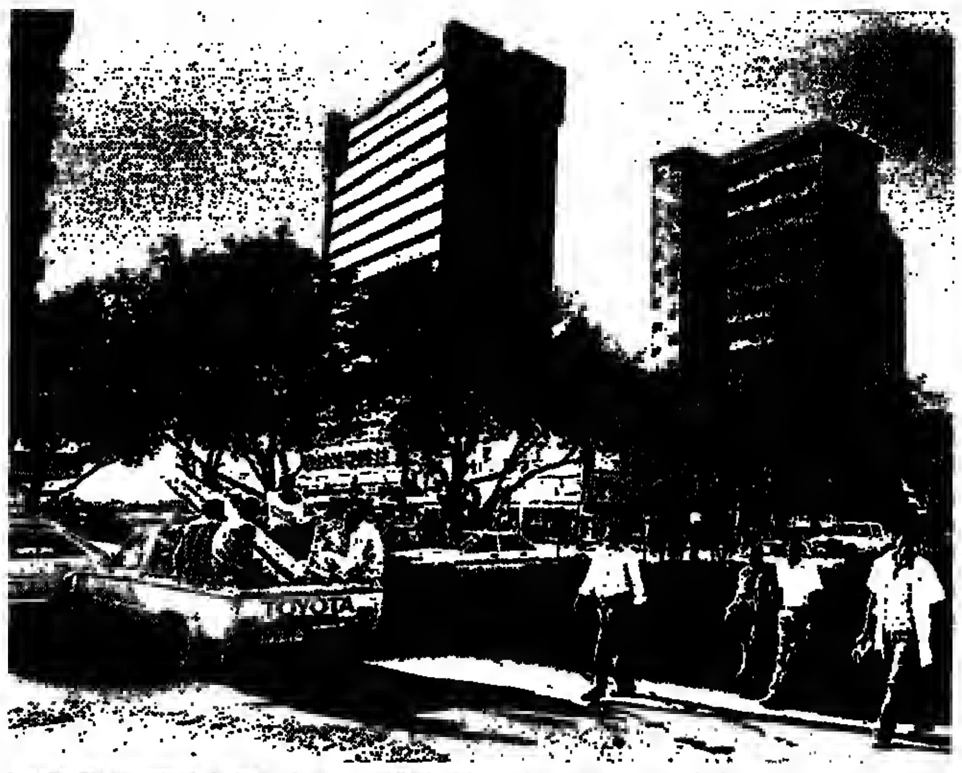
Local critics of the donors point out that in Ghana and Uganda, where structural adjustment has produced the best results, the governments enjoyed a freer hand than Mr Chiluba. It was 10 years after introducing structural adjustment that the Rawlings government faced the electorate. In Uganda, President Yoweri Museveni runs a de facto coalition that has yet to be tested at a multi-party poll.

Western donors, say these critics, expect Mr Chiluba to take political risks that would be unthinkable in the west: a French president, for example, confronting farmers over the ending of agricultural subsidies, or an American president taking on the US defence industry. Yet the Zambian leader has to privatise the mines, at the beart of what should be his political stronghold, and face elections in 1996.

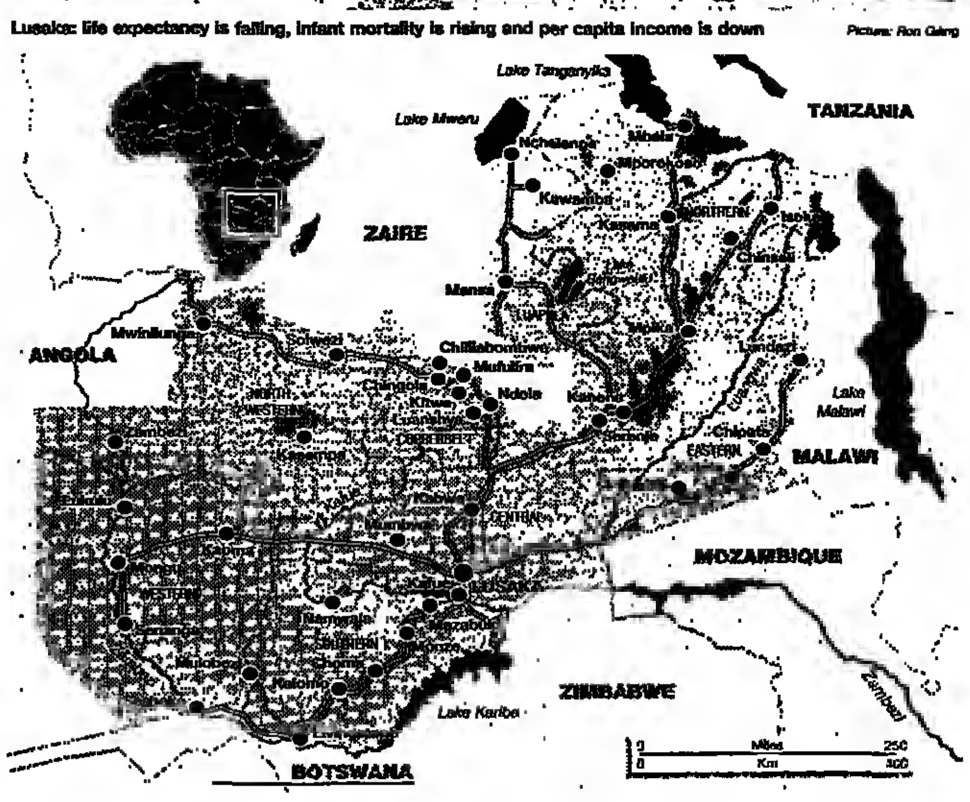
This task is not made easier by donors' refusal to address an anomaly in Zambia's external debt obligations which require a country following economic reform to the letter to maintain a net outflow to the International Monetary Fund of $100m a year.

Reform is in danger of failing for a further reason, say the critics: the frail state of a society that has been buffeted for so long, and whose institutions have been fatally weakened. Management, wbether in the privete sector or the civil service, is thinly spread and getting even scarcer as Aids takes a daily toll.

President Chilnba readily acknowledges the hurdles ahead. There is, bowever, no alternative, he says: "No one will come and rebuild our shattered country. We must do that with our own sweat and blood." Brave words, but formidable odds.



Lusaka: life expectancy is falling, infant mortality is rising and per capita income is down   Picture: Ron Galng



ZCCM's privatisation must create an export platform for a competitive economy, says **Tony Hawkins**

Copper industry decision is crucial

The fate, not just of economic reform, but indeed of the entire Zambian economy rests on a single, crucial decision – the restructuring of the copper industry.

"If we get this one wrong", says a top official "we will impoverish our people for another 25 years". He is not exaggerating. Impressive progress in balancing the budget, slowing inflation, stabilising the exchange rate and bringing down interest rates, will count for little if the dynamo of the economy is not privatised in a manner that restores investment confidence, at home and abroad, and creates an export platform for a competitive economy in the 21st century.

In recent weeks, a heated public debate has opened up, with the focus shifting from whether to bow the copper-mining parastatal, ZCCM, should be privatised. This in itself is an important advance, although the decision to appoint an in-house government committee, including senior ZCCM personnel, to resolve the debate that has split the cabinet and the country could mean continuing procrastination, which is just what the economy cannot afford.

Some see a gathering consensus centred on three principles – early privatisation; partial unbundling of ZCCM, although not to the extent recommended by the German consultants; and treating the $600m Konkola project as a separate entity. Last weekend's dismissal of deputy minister of mines, Mr Mathias Mpande, an outspoken protagonist of unbundling, indicates the depth of feeling on the subject.

Unfortunately, some Zambian politicians and officials seem reluctant to acknowledge that whatever formula they develop will fly only if at least some of the big-league mining players – Anglo American, RTZ, BHP, Phelps-Dodge and Gencor – accept its viability.

Zambian policymakers who have courageously put their fate in the hands of the markets in respect of interest and exchange rates, need to accept that the same discipline will apply to copper privatisation.

African economies undergoing structural adjustment have to deal with a "soft man" World Bank focusing on longer-term structural issues, and a "hard man" IMF zeroing in on the more immediate problems of macroeconomic stabilisation. Invariably, they find it much harder to satisfy the Fund than the Bank.

Zambia is different; it has made remarkable progress, especially in the past year, towards restoring macroeconomic balance, but it is lagging badly on the structural side. Arguably the single most important component of reform – even more so than exchange control abolition – has been cash budgeting in the civil service.

Provided it meets IMF benchmarks at the end of the year, which should be possible, it will become the third country – after Bolivia and Peru – to complete a so-called Rights Accumulation Programme (Rap) – allowing it effectively to reschedule some $1.2bn in arrears owed to the Fund into a long-term loan at concessional rates. An IMF team will visit Lusaka next month to start negotiations for an Extended Structural Adjustment Facility (Esaf) signalling the successful completion of the Rap. Fund officials praise the Zambians for achieving what three years ago seemed a pipe-dream.

> **None of the hard-core political economy issues will be easy to resolve**

Structural reform is a different ball game. The World Bank is presently assessing Lusaka's track record in satisfying six benchmarks, amid some anxiety that a critical report could mean a slowdown in donor disbursements next year:
● land reform, currently mired in deep political controversy, ● an "Ethics Bill" to stamp out corruption, ● social dimension spending targets in health and education, ● privatisation (excluding ZCCM), ● civil service reform, and, most immediately,● resolving the crisis at state-owned Zambia Airways.

The government says it will close the airline, losing some $2m monthly, by the end of the year, replacing it with a privately-owned carrier. The logistics of this are still unclear, with some in government insisting that a national airline operating inter-continental flights must be retained, rather than a downsized, local and regional carrier.

Civil service reform is stalled, partly, officials say, because the necessary downsizing which would enable the government to compete for scarce skills by paying market-level salaries, would blow the budget. Privatisation is beginning to gather momentum with the recent sals of two sizeable state companies – Zambian Breweries and Chilanga Cement – and the promise by Mr Ronald Penza, finance minister, to close the state holding company, Zimco, this year.

None of these hard-core political economy issues will be easy to resolve. The good news is that, after years of mounting unemployment and declining living standards, the fall in inflation and interest rates and the stabilisation of the exchange rate has given the government some real ammunition to use against its critics. So much so, in fact, that Mr Dominic Mulaisho, governor of the Bank of Zambia, is emphatic that the reform programme really is irreversible. "We are beginning to develop a political constituency for economic rationality" he says.

Not that new-found macroeconomic stability can be taken for granted; despite the steep fall in inflation to a forecast 30 per cent in 1994 from 187 per cent last year, the real exchange rate has been appreciating this year and an adjustment is probable before too much longer. At K675 to the dollar, the Kwacha is probably some 10-15 per cent overvalued, and resumed Kwacha depreciation is likely late this year or early in 1995.

Bankers expect yields on 91-day Treasury Bills down to 29 per cent from 130 per cent six months ago, to fall further, before levelling out at a premium of 5-10 per cent above the inflation rate. Officials confess that the precise relationship between inflation and interest rates and the exchange rate – the Zambia risk premium – is unpredictable.

What matters, though, is that the markets are calling the shots, so that a re-run of the 1991 debacle when the Kaunda government tried to spend its way back into office, with disastrous consequences for inflation and the kwacha, is unlikely. The abolition of exchange controls (with very minor, technical exceptions) means that if public spending and monetary expansion were to veer off course in the run-up to the 1996 elections, the kwacha and interest rates would respond – negatively and quickly, undermining what arguably will be the government's main electoral platform – the restoration of economic stability. In the words of one economist: "The market vote will be the one that counts".

> **The Bank of Zambia's survey of 200 companies shows a 'decisive' turn for the better**

The market vote is evident, too, in investment. The Bank of Zambia's opinion survey of some 200 companies shows a "decisive" turn for the better in business and investor sentiment, but the recovery will be slow given the poor infrastructure, high real interest rates and the scarcity of long-term capital. Skills and institutional capacity are important constraints too, and the country is heavily and unhealthily dependent on donor assistance and expatriates.

Partly because the civil service is poorly rewarded, few of the brightest and best Zambians work for government, whils many havs found greener employment pastures as international civil servants.

Zambia clearly has an international competitive advantage in mining and agriculture. The resumed interest in mineral exploration – Rio Tinto, JCI, Gencor, Anglo American, BHP, and Phelps Dodge of the US – is a bullish development, underscoring the importance of ZCCM privatisation as a vehicle for drawing substantial new foreign participation into the Zambian economy.

It has enormous agricultural potential, too, in terms of unused land, good soils and a better climate than neighbouring Zimbabwe. Development has been constrained by misguided pricing and marketing policies, land ownership restrictions, infrastructural deterioration and, recently, record interest rates that have created a serious farm debt problem.

Vociferous manufacturers blame some elements of the reform programme – especially trade and interest rate liberalisation – for these difficulties. While the terms of trade have shifted against import substitution activities, some of which should never have been established anyway, a handful of manufacturers in textiles, metal processing and agri-business are flourishing. Factories set up to service a protected home market and a thriving mining industry, at home and next door in Zaire, are now operating in a very different and more competitive environment. The net result is likely to be a slimmed down version of manufacturing as import substitution gives way to a leaner more export-focused sector, and one reliant on linkages with mining and agriculture rather than selling final consumer goods to Zambians.

There is obvious potential in tourism although this is hostage to inadequate infrastructure and competition from neighbouring Zimbabwe which is exploiting tourist opportunities far more efficiently.

With mining, agriculture and manufacturing output all falling this year, there will be little growth, although services, especially finance, are booming, and there is anecdotal evidence aplenty of vibrant informal sector activity. Weather permitting, a strong upturn is likely in 1995, although structural constraints are such that it is going to be a long haul back to the balmy days of the late 1960s.

Reform is beginning to pay dividends. The economic outlook is brighter than at any time since the early 1970s – reserves covering three months imports; falling inflation; a stable exchange rate; an increase in government revenue to 15 per cent of gross domestic product from 12.9 per cent; and the prospect of both an Esaf loan next year and substantial Paris Club debt reduction.

The crucial challenges now are to satisfy the World Bank on structural reform, while moving rapidly and decisively to privatise ZCCM. The achievements of the past year will wither and die without the support of root-and-branch structural change.

THE BANKING SECTOR

Yields have done wonders for growth

If the proliferation in the number of banks is a reliable guide, the old adage that banks prosper when the rest of the economy is in trouble, is borne out by Zambian experience. There are now some 30 licensed banks, although only about 20 are effectively operational, compared with just six five years ago.

On the surface, hyperinflation and astronomical nominal interest rates and Treasury bill yields have done wonders for the growth of the financial sector. The reality is different. The banks are saddled with high ratios of non-performing loans, especially in agriculture, while the newer players, in the words of a private sector economist, "born and bred on the TB market" lack the professional skill and expertise to appraise loans and make sound credit decisions.

A core problem for the sector is the failure, as yet, to increase bank capitalisation ratios. "A bank can open its door on what it would cost to buy a Toyota Landcruiser" says one banker, which means that the new, small players could be in trouble when – rather than if – they are hit by a significant external setback such as sudden kwacha depreciation or the failure of a significant borrower.

According to one bank: "It's a disaster waiting to happen" – a comment justified by the practice of one small bank which is offering kwacha interest rates on US dollar deposits. All very well while TB yields were high and the kwacha stable, but that game seems to be nearing its end. The Bank of Zambia is watching the situation closely. Legislation to raise bank capital requirements has gone through parliament and will come into effect soon. In the meantime, officials point out that with 80 per cent or so of bank transactions in the hands of a handful of players with strong international connections – such as Barclays, Standard Chartered and Stanbic – the probable shake-out in the industry, in the form of mergers and closures, is unlikely to destabilise it.

For the immediate future, bank lending will be constrained, not just by the fragile state of many corporate balance sheets, but also by high statutory reserve and liquid asset ratios. The 29 per cent reserve ratio imposes a sizeable wedge between the rates at which banks can profitably take deposits and make loans, while the 35 per cent liquidity ratio has helped sustain profitability at a time of record TB yields. Both ratios will come down and the liquid assets ratio (which is non-binding anyway) will go altogether soon, paving the way for increased lending to the private sector as credit demand recovers.

Commercial agriculture remains a highly problematic area with the banks being forced to reschedule loans to farmers hit by drought, rampant inflation and interest rates and the chaotic liberalisation of the marketing system.

But private sector lending, lower in real terms today than a year ago, can recover only if the authorities maintain their tight grip on public sector borrowing. One statistic above all others highlights the success of Zambia's stabilisation programme – the decline in inflation from 187 per cent during 1993 to a forecast 30 per cent this year. Fiscal policy, especially the imposition of "hard" cash budgets on government departments, and a tight monetary stance have been the key instruments.

Some, especially in the business and farming communities, ask whether the cure might not turn out to have been more deadly than the disease. But private sector criticism of monetary policy has quietened with the recent dramatic fall in interest rates – down to an average of 43 per cent early this month from almost 100 per cent in February – a stable exchange rate, and inflation of les than 1 per cent monthly. Indeed, prime rates of the main banks had fallen to the mid-30s.

Fiscal discipline has been the most important single component since without it monetary policy could not have been used so effectively to slow inflation and stabilise the kwacha. The government is on target to reach its budget forecast of a broad fiscal balance (a deficit of K11bn) thanks to the combination of cash budgeting on one hand and improved revenue inflows, following the creation of the independent Zambia Revenue Authority, headed by four expatriates and funded by the UK Ministry of Overseas Development.

> **The debt burden is down from more than 275 per cent of GDP to an estimated 200 per cent at present (about $6bn)**

In the first eight months of this year, the government achieved a primary budget surplus – that is domestic revenue less non-interest payments – of some K44bn, enabling it to keep the lid on domestic credit creation. Money supply growth slowed from 114 per cent in November 1993 to 42 per cent in August this year, reflecting a decline in net government borrowing and a marked slow-down in private sector lending, despite the availability of cheaper money.

By September, the year-on-year inflation rate for September had declined to 29 per cent from 138 per cent at the end of 1993. The compounded annual yield on 91-day Treasury Bills, which hit a high of 205 per cent in May had fallen below 60 per cent by September, while the tender rate dropped 13 points in a fortnight to 29 per cent in mid- October.

All of which points first to a revival in private sector credit demand over the next year, a flattening out of TB yields in the 15-20 per cent range and – very likely – an exchange rate shake-out as investors, both Zambian and foreign, look offshore for more attractive returns. Most of the foreign players have already quit the TB market. Three months ago about 15 per cent of the $200m stock was held by foreigners, but this is now done to 1 or 2 per cent as the markets anticipate kwacha depreciation following the effective appreciation of the exchange rate during 1994.

With the reserves up to $330m – equivalent to three months' import cover at 1992 levels – from $186m a year ago, limited capacity exists to absorb any surge in imports and capital outflows, but the central bank is not in the business of fixing exchange rates, acknowledging that real exchange rate appreciation will constrain the development of non-copper exports that is so crucial to the next stage of the adjustment programme.

With import demand relatively slack, and buoyant copper prices, the balance of payments position ought to have improved in 1994 from the $110m current account deficit last year. However ZCCM has been unable to exploit this; output will be down this year and delayed deliveries to meet sales contracts at lower prices is undercutting export revenues. With no early solution to the ZCCM crisis in sight, policy must focus on developing non-traditional exports on the one hand, while securing further debt relief on the other. The debt burden is down from more than 275 per cent of GDP to an estimated 200 per cent at present (about $6bn). The 1995 Paris Club negotiations could reduce this by up to a third – to some $4bn – which, with the completion of the IMF Rights programme and access to Esaf funds by mid-1995, will transform the external payments situation from one that was totally unmanageable three years ago.

Tony Hawkins

Leslie Crawford looks at Zambia Consolidated Copper Mines

Fulcrum of the economy

Three years after President Frederick Chiluba came to power with a mandate to privatise Zambia Consolidated Copper Mines, the source of 90 per cent of the country's export earnings, the government is no closer to deciding how and when divestiture is to take place.

Privatisation seems to be the only option open to a mining giant that has been systematically starved of investment and is burdened with high production costs, a $640m foreign debt and mines nearing exhaustion.

Since nationalisation, copper production has nose-dived from a peak of 700,000 tonnes a year in the mid-1970s to less than 400,000 tonnes. Output is forecast to halve again by the turn of the century unless ZCCM's best-explored ore body – the Konkola Deep deposit with mineral resources of 381m tonnes containing 3.5 per cent copper – can be brought into operation within the next six years.

By some estimates, Zambia's ailing copper industry requires $2bn of fresh capital to develop new ore bodies and modernise smelters and refineries.

While the government acknowledges that it lacks the resources to keep the copper industry alive, it does not appear to have accepted the tough consequences of opening ZCCM to foreign investors. This will almost certainly entail the loss of state control over a company which is not only the fulcrum of the economy, but a symbol of national independence.

Mr Edward Shamutete, ZCCM's chief executive, warns: "If the privatisation is handled badly, it could bring down the government."

The reluctance to let go of ZCCM is illustrated by the company's year-long search for a $600m loan to develop Konkola Deep. Nikko Securities of Japan has been trying to raise the required funds, so far without apparent success.

Mr Shamutete still hopes a syndicated credit facility will be forthcoming. Meanwhile, the government has turned down an offer by Anglo American Corporation of South Africa to lead a consortium that would develop Konkola Deep as an independent joint venture – relegating ZCCM to a minority role.

Since nationalisation, copper production has nose-dived from a peak of 700,000 tonnes a year in the mid-1970s

Anglo American is disappointed. As ZCCM's main minority shareholder, having retained a 27.3 per cent stake in the company following nationalisation, the South African mining house is as anxious as the government to get Konkola Deep off to an early start.

The first report on ZCCM's privatisation options, funded by the World Bank, was a dead letter almost before it landed on ministerial desks in October.

Its central recommendation was to split ZCCM into fivs operating companies and to privatise them separately.

Kienbaum Development Services of Germany, the authors of the study, believe ths carve-up would maximise the number of new investors in ZCCM's divarse operations, while avoiding the politically unpalatable option of handing the nation's copper wealth to a singla overseas mining house or consortium. The $300,000 report was rejected by the cabinet, which has ordered another one.

"Wa do not believe tha break-up of ZCCM is the best option," President Chiluba said in an interview. Mr Shamutete was more forthright: "It was a rushed job, poisoned by interested parties, with shallow conclusions."

Anglo American is also opposed to the dismemberment of the company. Mr Anderson Mazoka, Anglo's managing director in Lusaka, believes the company would be better managed as a single entity. "The break-up of ZCCM would lead to tha rapid closure of the less profitable divisions," he says. He believes the negotiations to sell off separate units would be long and costly and would open opportunities for corruption. Few doubt that if ZCCM were to be privatised intact, Anglo American would become the controlling shareholder.

Mr Shamutete says ha is not an opponent of privatisation, but he wants to be given a chance to box ZCCM into shape before it is offered for sale.

"ZCCM was bled to death under the previous administration," he argues. Its profits were milked by the government to diversify the economy, as a result of which ZCCM became the owner of a host of subsidiaries with no direct bearing to its core business.

All this is changing. The subsidiaries have been cut off and are slated for privatisation. A copper trading company in Britain has been closed down. Some 800 senior staff jobs have gone, and ZCCM has just reached agreement with the Mineworkers' Union of Zambia to shed 10,000 jobs – one fifth of the workforce – over the next two years.

Mining analysts, however, believe Mr Shamutete's recovery plan may have come too late in the day to save ZCCM. Ontput has continned to decline and efforts to reduce production costs have only met with partial success.

At 82 US cents for each pound of copper, ZCCM's production costs almost double the outlays of Chilean mines, the world leaders in copper prodnction. State-owned Codelco Chile, for example, prodnces more than twice ZCCM's copper outpnt with half the number of ZCCM's employees. The comparison becomes even more unfavourable when one adds ZCCM's overheads and heavy debt-servicing burden, which add another 20 per cent to the cost of Zambian copper at the mine gate.

Low copper prices drove ZCCM's operations into the red last year. The company posted a net loss of K72.6bn ($99m) for the year ended March 1994, but Mr Shamutete hopes the recent rebound in world prices and his cost-cutting measures will restore ZCCM's profitability over tha coming months.

Chilanga Cement is likely to be the first formal listing next April

Tony Hawkins on privatisation

Sales provide a breakthrough

The sale of two substantial state enterprises – Chilanga Cement and Zambia Breweries – is a breakthrongh for the slow-moving privatisation programme. The two sales provide a model for future privatisation of medium and large companies: both divestitures involved complex pre-emptive rights negotiations with the previous owners and both plan to offer some of their equity on ths Lusaka Stock Exchange to Zambian investors.

An independent trust fund has been set up whose chief task will be to "warehouse" equity in state enterprises, selling the shares to Zambian investors, both institutional and individual. The Privatisation Trust Fund has been offered 30 per cent of tbe equity in Chilanga Cement for on-selling to the public, not necessarily in a single transaction.

The Fund is looking closely at the techniqne used by Ashanti Goldfields to sell equity to Ghanaian investors as a possible model for Chilanga and the others that will be sold in the next three years.

Until these two deals went through, the Zambia Privatisation Agency's track record was unimpressive. Some 158 companies are to be sold in seven tranches, with the first three tranches dominated by small and medium-sized enterprises. By the end of August, only 12 sales had been completed, while a handful of others required approval from tha Commissioner of Lands or were awaiting legal rulings. All but Chilanga ($21m) and Zambia Breweries ($19.5m) were minor sell-offs.

Privatisation is always tricky politically, especially whare political support is as problematic as was the case in Zambia until Mr Dipak Patel, minister of commerce, and a privatisation enthusiast, took up office this year. His commitment to the programme is beginning to pay dividends in the form of accelerating progress.

Other obstacles inclnded punishingly high interest rates, making it mnch more attractive to hold Treasury Bills than invest in real assets; the absence of a capital market capable of mobilising resources for takeovers; and the complexities of the process itself.

The bulk of the potentially-attractiva properties involve pre-emptive right negotiations with the original owners. The agreements under which these enterprises were nationalised favoured buyers with pre-emptive rights because, far from envisaging the return of such assets to private ownership, the government of the day saw itself as the eventual purchaser. These agreements have come back to haunt the ZPA.

While it is encouraging that virtually all the former owners with pre-emptive rights are anxious to exercise their options and regain control of the businesses, there is often wide disagreement on prices. The ZPA says that in both the Chilanga and Breweries cases, the buyers eventually accepted ZPA's valuation.

A deadline of November 25 has been set for bids for several companies being offered for sale – inclnding Northern Breweries at Ndola, some hotels including the five-star Pamodzi Hotel in Lusaka, two state-owned edible oils companies, and trading companies with chains of retail outlets around the country.

The agency says it will have broken the back of privatisation, disposing of 113 (the first three tranches) of the 158 parastatals, by mid-1995. Many of these are small operations – stores and dry cleaners – which can be processed speedily. Large operations, most of which involve negotiations over pre- emptive rights, will take longer to resolve, while the requirement to offer 30 per cent of the equity to Zambian investors in most, although not all cases, is also a potential constraint.

The final four tranches include some significant operations in the financial sector (Zambia National Building Society, the State Insurance Corporation), transport (Contract Haulage), and manufacturing (Dunlop, and Nitrogen Chemicals).

Still to be tackled are leading utilities – Posts and Telecommunications, the oil refinery and the railways, although even these pale into relative insignificance alongside the crunch issue of ZCCM.

The commitment to offer 30 per cent to Zambian investors where feasible and the predominance of pre-emptive right investors, outside the utilities sector, implies only a limited rola for new foreign investors, inclnding emerging market funds. Since its launch early this year, the Lusaka Stock Exchange's activities have been largely confined to trading existing shares in a handful of foreign-owned companies and parastatals – Standard Chartered bank, the most active, Bata Shoe, Rothmans, ZCCM, Zambia Sugar and Chilanga Cement. Turnover is very low, although this has been boosted by trading in closed-end property funds.

The exchange has two broking firms as members while another four or five bave applied to become licensed dealers in anticipation of more active market conditions once the Privatisation Trust fund starts offering shares to local investors.

Dealers say that investors have been "warmed up" by attractive opportunities in Treasury Bills. With yields falling dramatically in recent weeks, institutions and individuals are looking for new investment vehicles. The trick now is to get companies to seek a listing and sell shares through the exchange.

The best short-term bet is privatisation, with Chilanga – expected to issue shares via the Trust fund – likely to be the first formal listing next April. To speed up the process, the government would be well advised to take a leaf from the Mauritian book, offering fiscal incentives to companies and investors alike to participate on the exchange.

With no equity on offer, there will be little to interest emerging market funds in tha near term. Mining aside, the same has been broadly true of direct investment, where the main participants are Zambian, and not foreign, companies. After a slow start in 1992, the Zambian Investment Centre licensed 376 projects worth $314m last year, and a further 166 valued at $110m in the first half of 1994. Ironically, given the volume of complaints from industrialists, manufacturing has been the lead sector accounting for nearly 40 per cent of the total, with agriculture ($115m) responsible for just over a quarter.

However, Mr Kevin Moore, director-general, says that the investment climate is "a lot better than a year ago". Tha main incentives are corporate tax rates of only 15 per cent on farm profits and on earnings from non-traditional (non-mining) exports. Investors do not have to go through the centre but the advantage is that the licence guarantees property and employment rights.

The first walking safaris in Africa began in the Luangwa valley more than 20 years ago *Picture: David Reed*

It is best to give hippos a wide berth *Picture: Glyn Genin*

Tourism: destination for travellers rather than tourists

'The real Africa'

David Livingstone devoted only one paragraph of his journals to the Luangwa valley in eastern Zambia. He trekked through the plains in December 1866 and must have had a miserable time: December is the height of the rainy season, when dry river-beds overflow with treacherous waters, mosquitos thrive, and trails are washed out.

Had ha chanced upon Luangwa in the dry season, he might have been more eloquent about the richness of its wildlife, the variety of its tropical hardwoods and the mysterious aphrodisiac properties of the Sausage Tree. But as it turned out, it was the Victoria Falls which captured Livingstone's imagination, and the Luangwa Valley, confined to obscurity, remains one of Africa's best-kept secrets.

More than a century later, Zambia remains a destination for travellers rather than tourists. Shoddy state-run hotels, bad roads and an unreliable state airline discouraged many would-be visitors. Tour operators estimate that fewer than 50,000 genuine tourists visit the country each year.

Tapping Zambia's tourist potential has not been one of President Frederick Chiluba's priorities. The new government's cost-cutting measures have left little room for revamping Zambia's dilapidated tourist infrastructure, while the National Hotels Development Corporation has been dissolved. Its demise has left many hotels, particularly in rural areas, bereft of adequate funding. Most of them have now been slated for privatisation.

The private sector has decided to make a virtue out of necessity, promoting Zambia as "the real Africa" – a vast land untarnished by package tours, big hotels or zebra-striped minibuses. A number of private hotel groups are beginning to examine new ventures, with 33 new lodges planned for the national parks. In Lusaka, Standard Merchant Bank of South Africa and Anglo American Corporation are investing $6m to revamp the 40-year-old Ridgeway Hotel, one of the capital's landmarks.

For the foreseeable future, however, Zambia is likely to remain a destination for the adventurous traveller.

The first walking safaris in Africa, pioneered by Mr Norman Carr, a game ranger in the British colonial service who helped set up Zambia's national parks, began in the Luangwa valley more than 20 years ago. The tradition has been continued by Wilderness Trails, which run Chibembe Safari Lodge and Nsefu Camp in the heart of the South Luangwa national park.

For those with steady nerves, nothing can quite match the excitement of coming face to face with a herd of 40 elephant, or fording a river teeming with hippos and crocodiles. The danger, say Chibembe's guides, is more imagined than real. In 20 years of organising walking safaris, not one tourist has been mangled by lions. But an armed game park ranger accompanies the typical three-day expedition for good measure. At night, it is common to hear the gruff panting of leopard stalking their prey and baboons barking nervously at the proximity of predators. Hippos emerge from the Luangwa river to graze. It is best to give them a wide berth – they are unpredictable beasts which can charge with a speed that defies their bulk.

While Zimbabwe has tended to attract the majority of visitors to the Victoria Falls, several private operators have begun to offer interesting alternatives on the Zambian side. Tongabezi Safaris has exclusive access to Livingstone Island, perched right on the edge of the Falls, where a maximum of eight guests are ferried by inflatable dinghy or canoe. Livingstone camped on the island when he first "discovered" the Falls in 1855.

Tongabezi also organises white water rafting in the gorges of the Zambezi, downstream from the Falls, as well as boating and canoeing in the quieter stretches of the river.

Where to stay: Lusaka Pamodzi Hotel tel: 252255, 251575, 253352. Ndola Mukuba Hotel tel: (02) 655545/9, fax: (02) 655729. Livingstone Tongabezi Lodge tel:(03) 323235, fax:(03) 323224. Luangwa Chibembe Safari Lodge c/o Wilderness Trails, PO Box 35058, Lusaka tel: 220112/5, fax: 220116.

Leslie Crawford

Business visitors guide

"Zambian secretaries move as if they are walking under water," complained an impatient business visitor.

Part of the explanation for the apparent lassitude may lie in an exhausting journey into work on a poor public transport system, or poverty, or debilitating diseases such as bilharzia.

But it is only part of the explanation.

Few nations are as easy-going, good-humoured and courteous as Zambians who live life at a pace that might be described as relaxed.

Visitors would be well-advised to move into a different gear themselves. Impatient drumming of fingers, clicks of irritation, or harsh words in an attempt to chivvy a slow-motion secretary may release the visitor's tensions but seldom bring results.

Far better, instead, to tolerate an erratic phone service, rickety taxi, a less-than-reliable internal air service, and live life at a different pace.

For a start, consider staying out of town, rather than at Lusaka's city-centre hotels.

Direct international dialling from the rooms is not possible, and operator-connected calls to London, for example, are charged at a hefty $9 a minute. (But beware the Savoy Hotel in Ndola, which levies a minimum $45 for three minutes to the UK)

An alternative to staying in the heart of the city is to book one of the 12 thatched rondavels (round huts) at Lilayi Lodge, (tel: 230326/228682-3 fax: 222906) a private game park 20 minutes' drive from Lusaka.

The rondavels have no phones, but considering the erratic nature of Lusaka's telephone system, and the huge surcharges, that may well be an advantage.

Essential reading is the Chamber of Commerce and Industry house magazine, *Profit*.

It is an excellent source of information, and pulls no punches. Published monthly, it is worth ordering back copies – at about $2 an issue. Half an hour's reading will leave you well briefed (tel: 252369, fax: 252483).

The business visitor with time to spare should not miss the opportunity to visit the Victoria Falls. Take your passport and cross over to the Zimbabwe side, where amenities – and the view – are better.

Or stay on the Zambian side but retreat to Tongabezi (tel: 3-323235, fax: 323224), a small privately-owned lodge 25km upstream from the Falls.

The five tented cottages and three houses on the curve of the Zambesi are only a few feet away from the river bank.

Zambian handicrafts can be bought at Zintu, at the Ridgeway Hotel.

Visitors should take precautions against malaria, and remember that Aids is widespread.

Michael Holman

Useful numbers (IDD access code + 260-1)

Diplomatic Missions		Stanbic	tel: 229071/3 229285/6
European Union	tel: 250711	Union Bank	tel: 229392/6 fax: 225665
Britain	tel: 251133		
United States	tel: 228595	**Hotels**	
Japan	tel: 228495	Lusaka Intercontinental	tel: 250503 fax: 251880
France	tel: 287677	Pamodzi	tel: 254455 fax: 254005
South Africa	tel: 228443	Ridgeway	tel: 229222 fax: 223568
		Lusaka Hotel	tel: 229049/52 fax: 225725
Airlines		Andrew'a Motel	tel: 272532 fax: 274798
British Airways	tel: 228337	Ndeke	tel: 229074/5
Zambia Airways	tel: 250777	Ndola: Mukuba	tel: 655545/9;
South Africa Airways	tel: 223653	Savoy	tel: 611097/98
(Airport tax:	US$20)	Livingstone: Musi-O-Tunya Inter-Continental	tel: 32112/7 fax: 321128
Banks			
Bank of Zambia	tel: 228888	**Car hire**	
Barclays	tel: 228858/224705		
Commerce	tel: 229948-57 fax 223769	Big Five	tel: 288971 fax: 289362
Finance	tel: 229741 fax: 227544	Travelcare	tel: 226696 fax: 222098
Meridien BIAO	tel: 229464/71 fax: 223997	Zingulila	tel: 227729/227730 fax: 227729

The maize monoculture left small farmers vulnerable *Picture: John Clarke/Oxfam*

Leslie Crawford reports on the agricultural sector

Painful adjustments required

Following the deregulation of agriculture, Zambia was flooded with imports of cheap eggs from Zimbabwe. Zambian consumers were delighted, but farmers were aghast. Had the farmers got their way, egg imports would have been banned. But in Zambia's newly liberalised economy, a ban was out of the question. So Zambian farmers decided to investigate the reasons for the price difference.

They discovered that in Zimbabwe, chicken feed was 30 per cent cheaper than in Zambi – and was of better quality, too. In Zimbabwe, 100 hens lay on average 75 eggs a day, whereas their sisters in Zambia produce only 50.

Zambian farmers began importing stockfeed from Zimbabwe, which in turn compelled Zambian millers to lower their prices and improve quality. As a result, Zambian farmers are selling more eggs today than in the bad old days of state controls.

The example may sound insignificant, but it goes to the heart of the painful adjustments which have been required of Zambia's agricultural sector since President Frederick Chiluba did away with import controls, protected markets and subsidised credit.

There is no doubt that Zambia's 400-odd commercial farmers are hurting. Financial deregulation caught them unawares. Most borrowed heavily when interest rates were capped, and are now crippled by the escalating cost of servicing their debts.

"Liberalisation has come at a fast and furious pace," says a leading commercial farmer in Zambia. "Borrowing is now punitive, but few farmers are willing to adjust."

Farmers, he says, had grown accustomed to cheap credit, holiday cottages and expensive cars. Under the previous regime, there was little incentive to invest one's own capital, or shed unproductive assets. The deregulation of agriculture has, however, not proceeded as smoothly as the government would have wished. Agriculture officials admit they overestimated the ability of Zambia's small private sector to fill the vacuum when state marketing monopolies were abolished overnight. Most potential traders say they have been discouraged from entering the market by the prohibitive cost of credit.

As a result, vast regions of Zambia are now bereft of marketing channels through which small farmers can sell their surplus produce. And in the rich farmland of eastern Zambia, one private trading company operates as a de facto monopoly, dictating the price it is prepared to pay for maize, wheat and oilseeds, in much the same way as the state marketing boards did in the past.

Ms Lucy Muyoyeta, Oxfam's resident representative in Lusaka, believes the handover of agricultural credit and marketing to the private sector has been a disaster. Commercial banks are unwilling to extend credit to small farmers because the vast majority of the population has no legal title to land.

Oxfam runs two projects which extend soft credits and agricultural inputs to some 3,000 families in eastern Zambia. Farmers repay the loans when the harvest is in. But erratic weather last year led to a high number of loan defaults. And by Ms Muyoyeta's own admission, the help that aid charities such as Oxfam can give is but a drop in the ocean compared with the needs of Zambia's 4m rural dwellers.

"We need far greater investment in rural oreas," Ms Muyoyeta says. "Roads must be improved, credit must be targeted to low-income farmers and storage facilities built. Farmers must also be encouraged to diversify into cash crops."

With 9m hectares of good arable land, only one-fifth of which is utilised, Zambia's agricultural potential has barely been tapped. Ms Muyoyeta believes the maize monoculture, promoted during the Kaunda years, has left small farmers vulnerable to competition from cheaper imports, European Union "food aid", as well as the vagaries of the weather. During the last season, which ended in June, maize buying agents appointed by the government bought farm produce with promissory notes. The redemption of these notes came too late into the new planting season for farmers to buy seeds and fertiliser, while some farmers were not paid at all.

To avoid a repetition of 1993's maize marketing fiasco, the government has relieved the principal buying agents of their duties and made clear that the country now relies upon private buyers to fill the maize supply gap. This year, however, the government is extending credit to maize buyers through a revolving fund which will be operated by commercial banks.

Michael Holman and **Leslie Crawford** interview President Frederick Chiluba

'We are on the right track'

Question: Structural adjustment is proving a painful process for Zambia: is the medicine too strong for the patient?

Answer: I agree it is a very painful process, and people complain quite a lot. But they also understand that we have to lay new foundations for an economy that had been devastated.

When we took office, inflation was running at 400 per cent. Today inflation is down to 30-35 per cent; there is fiscal discipline. New roads are being build, old roads being repaired. There are drugs in hospitals and desks in the schools. We are on the right track.

Yet infant mortality has risen, life expectancy is falling...

Those are symptoms of the system wa inherited. The structural adjustment programme is not the cause of Zambia's problems. It is diagnosis, and it requires bitter medicine.

Zambia's external debt per capita is one of the highest in the world: is this compatible with economic recovery?

It is a big problem. I regard it as a form of punishment, and lack of confidence on the part of the international community. Having got rid of an autocratic govarnment and introduced democracy, we are burdened by debts incurred by the previous regime.

President Chiluba: 'We have to lay new foundations'

What is your response to the manufacturers' complaint that Zambia's industrial base is being undermined by high taxes on raw materials?

I think these fears will subside. Protective tariff barriers are not the answer. The answer is a level playing field.

We support ragional co-operation and wa have insisted on the removal of tariffs. Some countries have more to do, but we would rather urge them to remove those tariffs which are making competition unfair than start a trade war.

Is it not time to abolish the 23 per cent duty on imported raw materials?

We are considering this. Revenue collected is small. At the same time, industry has for too long been protected, and manufacturers have to become more competitive.

Agriculture is also in severe difficulties, with perhaps one third of commercial farmers bankrupt. Shouldn't the adjustment programme take more account of the strain Zambia is under?

I understand the IMF and the World Bank, and how they work. They want their money back even if it doesn't come back quickly, because there are other countries in need. One thing I have learned from IMF and the Bank is to move away from consumption to production, to move from waiting to doing something on my own.

That spirit I embrace. No one will come and rebuild our shattered country. We must do that with our own sweat and blood. We must learn to take the initiative.

At the same time, the IMF and the Bank must understand there are a lot of conditions that may be appropriate in Latin America, bnt not Africa. They must able to adapt and understand local conditions. That is a matter we have to negotiate with them – tbey cannot say 'Take it or leave it.'

Are you satisfied with tha pace of privatisation?

About 13 companies hava been privatised including Zambia Brewery and Chilanga Cement, but it's a long, slow process – not because of bureaucratic inertia. You cannot force people into buying what they are not interested in.

Meanwhile we hava launched the Lusaka stock exchange, which helps the process. We want to ensure transparency, encourage management-worker buy-outs, for example, and show that the benefits of privatisation are not confined to the wealthy.

Has the government decided on a timetable for the privatisation of Zambia Consolidated Copper Mines, and whether it will be unbundled?

ZCCM for us is the centre of economic activity. Although we have the Kienbaum report, there may be other reports. We do not want to depend on just one group of experts, and we do not believa that tbe break-up of ZCCM is necessarily the best option.

And the timetable?

It all depends on how we work things. There are new sources of copper, like Konkola. We want to attract private investment in this one particular area. It is much richer than anything elsewhere.

So what are your plans for Konkola? To hive it off as a separate company?

We want to make it as a kind of subsidiary to ZCCM, and that will mean that private investment will go in without tying it into the existing arrangement. It's an option...

Might the timetable extend beyond the next election?

Certainly. But in the meantime, once ZCCM has been properly capitalised, there will be more production, and job creation will grow...

But you won't get this without foreign capital and privatisation.

Surely...

And hava you not reached the stage where ZCCM can hardly manage to meet its operational costs?

There have been improvements. Ws have reduced unit production costs from 82 US cents a pound to 74 cents. Unfortunately, the price of copper fell which upset forecasts, but stowly the situation is shaping up for the better. Wa can only hope prices don't fall again:

Meanwhile prodnction bas fallen.

The accumulated costs and problems to be tackled meant that we could not have managed a quicker pick-up.

Allegations of corruption and claims that minister have been involved in drug running have undermined the reputation of your govarnment. What are you doing about it?

There have been wild allegations, and when these were linked to some ministers they offered to resign. But we haven't had the slightest confirmation of their having been involved.

Nevertheless, we have introduced a bill outlining a code of ethics.

Yet senior members of the donor group continue to express concern. Can there be smoke without fire?

Under the code, ministers are required to declare everything they have and how they got it, and when. If the donors or anyone else provide evidence of corruption or influence peddling, I will investigate.

After three years in office have you become authoritarian? And it is disconcerting to see your official portrait in public institutions – it's redolent of the Kaunda era.

I could order them to be removed! I think it is a tradition, rather than a show of being anything. Frankly speaking, many people have said I am rather weak. I hava not forced one single issue either in party in government. No, I am not authoritarian, I am too liberal to be that. I suffered long enough under an authoritarian regime.

Perhaps if you were tougher, your party would be in better shape – instead it seems to be disintegrating.

No. People ought to understand that we are coming from an era where everybody was oppressed. When freedom comes – freedom of expression, conscience, association – it is disruptive. But there is no better way to develop.

Never again will one political colossus stride the country and get rid of the rights of the people.

KEY FACTS

Area	752,614 sq km
Population	8.94m (1993 estimate)
Head of state	President Frederick Chiluba
Currency	Kwacha (K)
Average exchange rate	1993 $1=K434.8; (14/10/94=K668.5)

ECONOMY	1993	Latest*
Total GDP ($bn)	3.3	n.a.
Real GDP growth (%)	9.2	0.2
GDP per capita ($)	307	n.a.
Total external debt ($bn)	6.9	n.a.
Current account balance ($m)	-258	-200
Exports ($m)	1,013	1,075
of which - Copper	830	880
Imports ($m)	802	845
Trade balance ($m)	+211	+230

* = 1994 figures (EIU forecasts for year except reserves (May) and discount rate (July).
Source: IMF, World Bank, Economist Intelligence Unit.

Michael Holman examines the political scene

Kaunda considers a comeback

It was from Zambia's copperbelt that Frederick Chiluba launched his successful challenge for the presidency, but today it is in this mining and industrial heartland that the government is facing one of its toughest tests.

Come the next general election, due to be held by 1996, will copperbelt voters stay loyal to Mr Chiluba and his Movement for a Multiparty Democracy (MMD) despite the impact of an economic reform programme which has seen formal sector jobs cut by anything from a third to a half?

Or will they accept that there was no alternative, see light at the end of the tunnel, and give Mr Chiluba a second five-year term in office?

Much will rest on the reaction of the country's labour aristocracy, the 50,000 workers on the copper mines. The government is set to privatise the state-owned Zambia Consolidated Copper Mines (ZCCM), an exercise which is likely to see the existing work force cut by at least 10,000 – possibly twice that.

It was during in the late 1970s that Mr Chiluba emerged as a potential challenger to founding president Kenneth Kaunda, drawing on two overlapping constituencies. As leader of the Zambia Congress of Trade Unions, he indirectly represented the workers on the copper mines, the sector responsible for more than 90 per cent of export earnings.

But the copperbelt is also the stronghold of the Bemba people, one of Zambia's largest tribes. It was Mr Simon Kapwepwe, once Mr Kaunda's deputy, who was to lead opposition to the one-party regime until his death in January 1980.

Mr Chiluba, himself a Bemba, assumed Mr Kapwepwe's mantle when he and a handful of businessmen and politicians founded the MMD in April 1990, a coalition which transcended ethnic divisions and embraced leaders from north and south.

The coalition soon broke the one-party rule of Mr Kaunda's United National Independence Party (Unip), and won a sweeping victory in the October 1991 general election, Zambia's first multi-party poll for more than two decades. The MMD captured 125 seats in the national assembly, with Unip winning the remaining 25.

Kaunda: seeking to revive the fortunes of Unip

Three years later, the coalition is severely strained. The south is increasingly associated with the opposition while the MMD's standing has been undermined by a spate of resignations and dismissals.

Several of the ministers have fallen victim to allegations of corruption, and of drug trafficking sedatives for the lucrative South African market. This sleaze factor apart, the MMD is also paying the price of imposing long overdne, but painful, economic reforms.

The impact on the copperbelt, which in theory shonld be the party's stronghold, has already been severe. The formal sector workforce has been cut by at least a third as some companies have gone to the wall, and the biggest have reduced their payroll by as much as a half.

The tonghest cnt is yet to come, as ZCCM prepares for privatisation.

The mining union and the company have reached agreement which will see the mines' workforce reduced hy 10,000 by mid-1996.

This may not be enough, however. Industry experts believe the new owner or owners of the privatised mining group will make further cuts.

Mr Chiluba has vigorously defended the programme, reminding Zambians that the MMD came to power on a platform of economic as well as political reform.

Painful as the economic reforms have been, the most serious damage to the government's reputation has come from the infighting within the administration, and the poor performance of many of the cabinet and senior government officials.

Two cabinet ministers resigned in the first nine months, and the ministers of agriculture, finance, mines and education were dismissed in April 1993.

Next to follow were the Vernon Mwaanga, foreign minister, Nakatindi Wina, community affairs minister, and Sikota Wina, parliamentary depnty speaker, who resigned in the wake of allegations involving drug trafficking.

Last July, vice-president Levy Mwanawasa and Ludwig Sondashi, legal affairs minister, also resigned, bringing the tally of ministers who have resigned or been dismissed to 13.

Few of those that remain in office have the confidence of the donor community.

On the face of it, the strongest challenge comes from the National Party, which earlier this year elected Mr Baldwin Nkumbula, 35, son of the late Harry Nkumbula, leader of the now defunct African National Congress, as its president.

Mr Nkumbula has been striking a populist note, urging that the mines be kept in state hands.

Opposition also comes from snother, unexpected source, however. The tribnlations since 1991 have done what might once have been thought impossible: created a climate of opinion which has allowed Mr Kaunda to seek to revive the fortunes of Unip.

The party had seemed irredeemably discredited by its antocratic style and its economic mismanagement dnring 27 years in power, although it may yet rise from the ashes.

Today, Unip is led by Mr Kebby Musokotwane, a former finance minister, but Mr Kaunda, now 70, does not rule out a return to the presidency.

Few Zambians rate his chances very high. Yet it is a measure of the country's mood that its former president is sufficiently encouraged by the public response to his meetings around the country to consider attempting a comeback.

BUSINESS TRAVEL

Heathrow landslips

Heavy rain caused further landslips near London's Heathrow airport at the weekend. Earth began slipping into a railway tunnel on Friday during construction work on the £300m Heathrow Express Rail Link near Terminal 3 car park. The Express Rail Link, which will whisk travellers from London's Paddington station to Heathrow in 16 minutes, is due to be completed in 1997.

Milan in the dark

Alitalia warned last week that fog could disrupt travel to and from Milan's Linate airport this winter more than usual, *writes Andrew Hill.*

The airport has replaced its out-dated instrument landing system (ILS), which allows aircraft to land when visibility is as poor as 100m. But such landings will only be possible next winter (1995-96), when testing of the new equipment is complete. Until then, if visibility drops below 200m, airlines will have to use other airports, such as Malpensa (Milan's second airport) or Bergamo, or cancel flights. Last winter was unusually clear, but fog patches are already causing problems for drivers in the Milan area.

London's train strain

London City Airport claims that passengers using its services can achieve big time savings on London-Paris and London-Brussels trips compared with existing air connections via Heathrow, Gatwick and Stansted, or with the new Eurostar rail service via the Channel Tunnel, *writes Michael Thompson-Noel.*

Its claims are based on published travel data. London City Airport claims a journey time to Brussels of 2 hours 25 minutes against 4 hours by Eurostar; and of 2 hours 45 minutes to Paris against Eurostar's 3 hours 45 minutes.

Last week, two Eurostar trains broke down. One replacement train raced from Waterloo to Gare du Nord in a record 2 hours 50 minutes. This was 10 minutes quicker than the Eurostar journey time for Waterloo-Gare du Nord cited by London City Airport in its own promotions.

Initially, tickets for the Eurostar service, which go on sale today, will start at a basic £95 (pre-booked) from London to Paris or Brussels return. Eurostar's official starting date is November 14.

Aberdeen express

A low-cost air service linking Aberdeen and London Stansted is due to start next Monday. Aberdeen London Express (Alex) will leave Aberdeen at 7.15am on weekdays, getting passengers to Liverpool Street by train from Stansted by 9.30am. In the evening it will leave Stansted at 7pm (6pm on Fridays). Alex is an Aberdeen company formed to challenge British Airways and Air UK, which Aberdonians and oil company executives claim charge too much. The new company will charge £60 single and £120 return and offers a £99 return for companies that make block bookings, with a £95 weekend return.

United pulls out

United Airlines says it plans to suspend services between London and Seattle next April, adding that the route was the weakest it obtained when it bought the London operations of now-defunct Pan American World Airways.

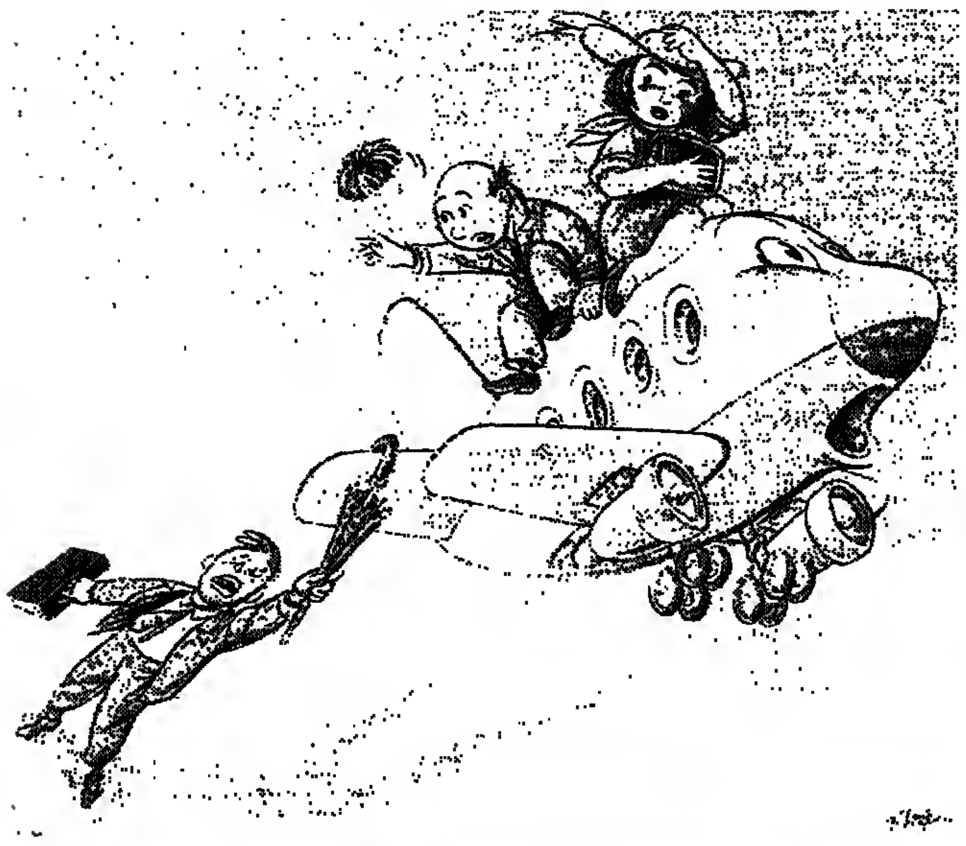
The move will leave British Airways as the only carrier offering a scheduled non-stop service between the cities. BA flies daily to Seattle year-round. United has been frustrated in its effort to fly non-stop between Chicago and London, and plans to keep pushing for clearance.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	19	20	22	22	21
Hong Kong	25	27	28	27	27
London	13	13	12	12	11
Frankfurt	13	13	11	12	12
New York	19	16	13	12	13
L. Angeles	22	22	22	25	29
Milan	19	16	15	15	15
Paris	14	14	13	14	12
Zurich	12	12	11	11	10

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands



Tradecraft of the frequent flyer

Michael Holman instructs a friend in the art of getting on an overbooked aircraft

Were it not for me, Tubby Fanshawe might to this day be languishing in Lagos, the victim of an overbooked flight.

Tubby, an accountant on a three-year posting to Nigeria, had joined me at the check-in queue for the British Airways flight out of Lagos, the modern-day equivalent of being evacuated from Dunkirk. As Tubby banged on about this and that, I snapped. "Tubby," I said, "I cannot talk, I'm concentrating."

"What on earth do you mean?" he asked. I told him that the explanation would have to wait until we were on the aircraft. An hour later, gin-and-tonic in hand, I introduced Tubby to the tradecraft of the serious traveller.

The wiles and ruses cover everything from getting upgraded and cheap tickets to keeping the adjoining seat vacant. But the six-hour flight to London allowed time for only one subject, perhaps the most important skill of all: securing a seat on an overbooked flight.

Tubby had broken all the rules, and it had taken all my cunning to get him on the flight. "Let me ask you a couple of questions," I said, in between mouthfuls of those tasty, coated peanuts that make BA's club-class service so enjoyable. "When you were standing in the queue distracting me, did you notice that chappie lurking near the desk?"

Tubby nodded: "The bod who looked like a cross between a *maitre d'* and a Heathrow baggage handler?"

"Right," I said. "And what's his job?"

"Haven't a clue."

"BA station manager," I told him. "Did anything strike you about the chap who checked you in?"

"No," said Tubby. "Frankly all BA staff look the same to me."

"He was the one you got shirty with at the city office. You hit the roof when he told you your name was not on the passenger list."

Tubby looked thoughtful. "I wondered why you were so oily with him – commiserating about the difficult conditions they had to work under, power cuts and all that."

He drank deeply of his G&T. "Certainly helped at the check-in desk," he admitted, adding: "I expect my membership of BA's frequent-flyer club helped get me on the flight. That must count for something if the aircraft is full."

"Certainly does," I said. "I noticed you have a blue card. Very embarrassing. Lowest in the pecking order. Deduct one point. Far better to play the experienced maverick who scorns Air Miles – *score* one point. Silver card, now that's a very different matter. Add two points. As for gold-card holders, they've nothing to worry about."

I warmed to my theme. "You had luggage to check in. Deduct two points. And while we are on the subject, your performance at the hotel check-out counter this morning didn't help."

Tubby defended himself vigorously. "That chap in front of me was taking ages."

I sympathised. "Sure as eggs, Tubby, the chap in front of you who is taking an interminable time examining his hotel bill is a member of the cabin crew. One of life's mysteries. But it did not go down well with Captain Tyrell when you asked him to get a move on because you had a flight to catch."

"How did you know who it was?" asked Tubby.

"Asked the clerk," I told him. "It's another card you can play. 'Is Ken Tyrell the captain on tonight's flight?' you inquire casually at the check-in counter. They cannot be certain, but you have introduced the possibility that you know the captain. You're less likely to be bumped off the flight list."

Tubby was getting cross. "At least I had a book to read in the queue."

"Mark of the amateur," I countered. "You miss the telltale signs of an overbooked flight. Body language changes, tense whispers into the mobile phones . . . seconds can count."

"But when word got out, and they formed a scrum round the desk, you told me to sit tight."

"I'd read the signs, Tubby. While you were engrossed in that pulp novel, I was chatting to the station manager."

"What about?"

"I was asking if first class was full. I had my credit card in my hand, thus making it clear I was expecting to pay and not some cheapskate seeking an upgrade."

"But what if there were first-class seats available?" asked Tubby.

"I knew it was chock-a-block, thanks to a precautionary phone call to BA reservations this morning. But it's not the first-class seat I'm after. I want to establish myself as a serious traveller. I ask the station manager to put me on the wait list, and it's an excuse to give him my card."

Tubby suddenly remembered something. "But I saw you reading a paperback later!" he said.

"Paperback, yes. Novel, no. Contingency planning. I was consulting my *Official Airline Guide*. Never travel without it. Gives all direct scheduled flights within Europe, Africa and the Middle East. Just in case, I booked us on this evening's flight to Addis, with connecting flight to London. Got the last two seats."

Tubby was getting ratty. "At least I dressed sensibly for the flight," he said, his lurid tracksuit outfit comfortably accommodating his paunch.

"Lightweight suit and tie for me," I told him. "Better chance of being upgraded." Tubby's eyes lit up.

"Tell me how . . ." The timing was perfect. "Mr Holman?" said the steward. "Would you care to move to the front of the plane?"

Smart Guide: Mexico City

Elegance and energy

What is the best part of town to stay in?
Well-heeled business travellers head for Polanco, the most exclusive and expensive part of town, or the Zona Rosa (Pink Zone), which is more down-market but livelier. The two are only five minutes apart, and fast becoming one. At all costs avoid the south of the city, which is up to an hour from the business district.

Polanco is fashionable partly because it bears little resemblance to the rest of Mexico. The main street, Masaryk, has been renamed Rodeo Drive, and boasts numerous posh shops. Polanco is home to the best hotels and many fine restaurants, and is close to everything important. The Zona Rosa includes the stock market, most of Mexico's brokers, and plenty of nightclubs.

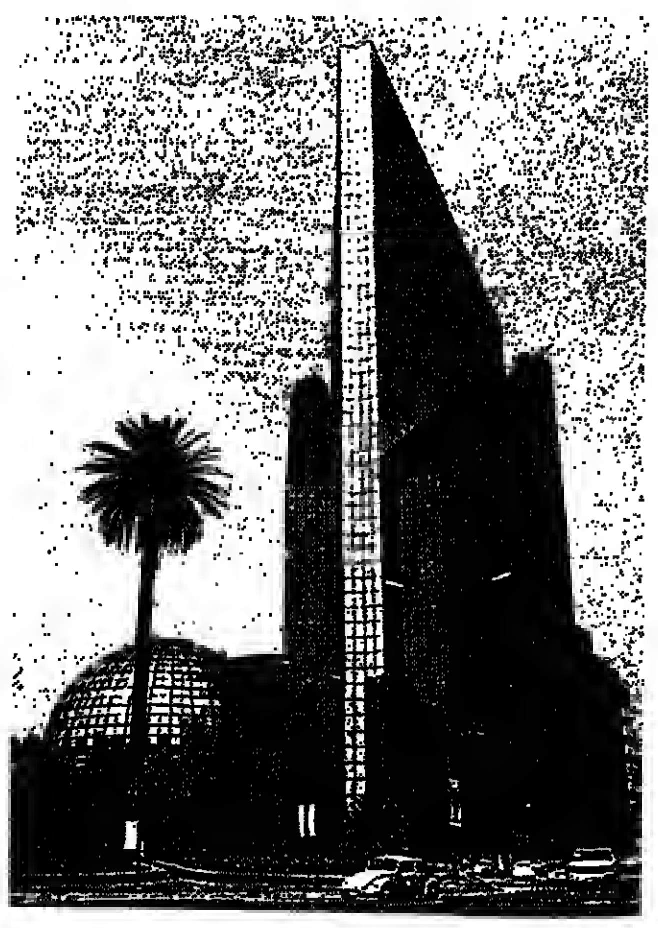
Hotels?
For years, foreign businessmen stayed at the Camino Real ($200 a night) in Polanco, tolerating its poor service and a 10-minute walk to their rooms in return for stunning architecture and large spaces. But that was before the Four Seasons.

The Four Seasons ($225) in the Zona Rosa opened earlier this year, and is booked weeks in advance. A few hours spent at the front desk will tell you who is in town, and a few more at the bar will tell you what they are doing.

If you cannot get in, the boring but efficient Presidente Intercontinental ($250) and Nikko ($210), both in Polanco, are popular. For the adventurous, the penthouse suite or a high-up double room at the Ritz ($75) in the historical centre offers splendid views.

What about restaurants?
The most elegant and expensive are Champs Elysées in the Zona Rosa and Fouquet's at the Camino Real, where you could be in Paris, except that the customers are generally Mexican politicians. Many businessmen prefer the glitzy La Galvia in Polanco, with its *nouvelle* Mexican food.

Pomodora, opposite the stock exchange, offers the city's best Italian food. The current hit restaurant is Polanco-based



Financial view: Mexico City's stock exchange in the Zona Rosa

Rod McNeil

Los Alcatraces (Mexican cuisine) where lunch lasts for three hours or more. Try to book days in advance, but even then you may not get in.

Foreigners like Cicero Centenario in the historical centre: Mexican food and mariachi music in a *converted* brothel that has little ventilation.

Is there much entertainment?
Mexicans have such long lunches that they generally rest in the evenings. A must for the first-time visitor is Garibaldi Square, where you can be serenaded by mariachi bands while drinking tequila. The Salon Mexico is the hot place to dance, and the trendiest bars are La Tirana and Bar Milagro. The even hipper Barbe Azul in the Colonia Obrera is recommended for those willing to take off their business suits.

The most suitable places for a working drink are the hotels: Camino Real or Four Seasons.

What are the local quirks?
Mexicans take their time over business, and do not look kindly on people in a hurry. Many like to be friendly with those they are working with, so do not try to pack too much into a day.

Mexicans often keep unpredictable hours: some work from 8.30am to 6pm, others from 10am to 9pm. Some never take long lunches, others always seem to. Be flexible, and expect appointments to be rearranged at the last moment.

How do I get around?
Taxis are plentiful, but drivers often know less about the city than a businessmen who has spent three days in it. Use hotel cars or bring a map so you can direct the driver.

What if I have a spare day?
The seriously minded would spend it in the national archaeology museum, having done some homework first. If you want to be outdoors, the pyramids at Teotihuacán are the usual first stop. Or you can visit the local Indian market at Tepoztlán (an hour away), climb the volcanic mountain and take a margarita at the fashionable Ciruelo restaurant.

Damian Fraser

MEDIA FUTURES

Now in glorious . . .

Alice Rawsthorn on high-tech stirrings in the world of cinema

The cluster of cinemas around Lincoln Center Plaza on the upper west side of Manhattan has long been a mecca for New York film buffs, but next month it will acquire an added attraction when Sony opens a complex of futuristic cinemas.

The Lincoln Center cinemas will include 12 different theatres where audiences will be able to choose from a wide range of movia technologies, ranging from interactive films to high-definition movies and the gigantic images of an IMAX screen.

Sony, the Japanese consumer electronics company which became a force in the film business five years ago by buying Columbia Pictures, sees the Lincoln Center as an experiment to determine whether there really is a market for high-tech alternatives to the two-dimensional film images that have for decades been flashed across cinema screens.

Almost all the "new" movie technologies on show at the Lincoln Center can already be seen at theme parks, virtual reality arcades and independent cinemas.

Yet Sony's initiative is one of the first significant investments by a major entertainment groop in innovative forms of cinema. The success or failure of the Lincoln Center experiment is certain to influence the way that Sony – and its competitors – show films to the public in future.

One of tha ironies of the entertainment industry is that, despite the mega-budgets and visual techno-tricks of modern Hollywood, movies have been shot on almost the same type of 35mm plastic film (at a standard spead of 24 frames per second) since the invention of the talkies in the 1920s.

The last wave of experimentation came in the 1950s when the cinema faced the first onslaught of competition from television. It was then that the industry invested in innovations such as stereo sound, giant Cinerama images that required the use of no fewer than three cameras, and Smell-O-Vision, where the movie-going experience was "enhanced" by appropriate scents pumped into the cinema.

Stereo sound has survived into the 1990s, but Smell-O-Vision faded away along with other short-lived 1950s crazes. The major Hollywood studios have since reverted to traditional methods of movie-making, leaving experimentation to a handful of techno-aware entrepreneurs.

George Lucas, director of Star Wars, and Doug Trumbull, a Hollywood special effects expert who worked on *2001: ASpace Odyssey* and *Bladerunner*, developed different forms of "motion simulation" cinema in the 1980s. Their techniques enable the audience to experience the action of the movie because of the speed at which the film was shot and the way the cinema seats move in sequence with tha plot. More recently, a pair of New York technology buffs, Bob Bejan and Bill Franzblau, developed a method for making interactive films whereby the viewer determines the course of the plot.

The main constraint on the development of these new technologies has been shortage of product. It is extremely difficult – in some cases impossible – to transfer movie footage shot by one method on to a different type of film. As a result, most film-makers have played safe by sticking to traditional 35mm film, even if they have been tempted by the creative potential of the new technologies. Similarly, cinema owners have been reluctant to equip their theatres for showing new types of film because the choice of movies is so limited.

Some new technologies have found a home in theme parks, notably George Lucas's version of motion simulation which he devised for the *Star Tours* ride at Walt Disney's Disneyland park in California. Others have been restricted to specialist theatres such as IMAX, which significantly anlarges the frame size by using 70mm film and is shown at a handful of specially-equipped cinemas, including La Géode at the Parc de la Villette science complex near Paris.

There are now signs that the market for more innovative types of film is expanding. The level of audience interest has increased steadily in recent years with the emergence of the new generation of young computer-literate consumers who are accustomed to encountering technology in other leisure interests, notably in theme parks or video games.

As a result, the old breed of techno-entrepreneurs hava been able to expand their activities. Showscan, the Los Angeles company which owns the rights to Doug Trumbull's motion simulation films, now has 10 theatres in North America. It opened its first one in Europe this summer (after years of licensing its concept to European cinema owners) at the Trocadero in London, and is now considering plans to open other theatres in Europe.

Christophe Dallere

La Géode at the Parc de la Villette science complex near Paris: one of a handful of specially-equipped IMAX cinemas

Meanwhile, the convergence of the film industry with other sectors such as leisure and electronics means that the new generation of entertainment groups has a vested interest in experimenting with high-tech methods of movie-making for use in their theme parks and theatres.

Disney has invested heavily in new technology to develop concepts for its parks. Time Warner is following suit, as is Sony, which recently set up a new subsidiary, Sony Retail Entertainment, to launch a series of theme parks, or entertainment centres, as showcases for all its products, including techno-toys, music and movies.

The opening of Sony's new Lincoln Center cinema complex forms part of that strategy. Sony's research teams have been working in the cinema field, and plan early next year to screen at Lincoln Center a high-definition movie that they have adapted from 35mm film. Sony is also liaising with independents in the movie technology field, notably with Interfilm, the interactive film-making company founded by Bob Bejan and Bill Franzblau, with which it has negotiated a production deal.

"We're still at an early stage in this field", said Peter Newcombe of Sony in New York. "We're not sure how the audience will react to our new theatres at the Lincoln Center. But if it's a smash, we'll certainly consider opening more of them."

Boost for US ethnic TV

By Victoria Griffith

A newscast spotlights international events in Japanese. On another channel, a steamy love affair is taking place in Spanish. US television is turning into a smorgasbord of ethnic programming. In many urban centres, where new immigrants tend to congregate, the number of foreign-language channels is already staggering. And, with fibre optics about to boost the number of channels available, viewers can expect to see even more in future.

New nation-wide distribution channels for cable, through computers or telephone lines, and pay-per-view services, should also help boost US-produced ethnic programming.

Some of the Spanish stations already produce 50 per cent or more of their programmes for the American market, but most ethnic stations rely on purchases of shows from abroad.

Many immigrants and minorities view ethnic stations as an affirmation of their importance in US society, and the surge in the number of immigrants in the US guarantees an expanding audience for many ethnic shows. In Boston, the cable station Celtic Vision hopes to launch soon with programmes catering to a large community of Irish and Irish descendants, estimated at 1.6m in Massachusetts alone.

"Potentially, we have a bigger audience in the US than in Ireland," says Robert Matthews, chairman of Celtic Vision.

But the role of the Federal Communications Commission (FCC) in encouraging more ethnic programming on cable remains uncertain. For instance, the commission may try to increase access for smaller companies – which include many of the ethnic stations – by creating "must carry" rules for alternative programming.

"We've already sponsored a number of initiatives over the years that have allowed for more ethnic programmes", says Karl Kensinger, special assistant to the chief of the mass media bureau at the FCC.

The increase in ethnic programming will not only reflect American society, but help to shape it. On the negative side, however, easy access to foreign-language shows may hold back immigrants' progress in learning English, and niche programming may increase the distance between different cultural groups.

TV once represented the lowest common denominator for US society, and vastly diverse viewers tuned in for a single show, such as *I Love Lucy*, in the 1950s. Now, two Americans can watch television all week and never see the same programme.

CD-Rom move at Anglia

By Raymond Snoddy

MAI Broadcasting, owner of two ITV companies, Meridian Broadcasting and Anglia Television, is planning a significant move into the new media and hopes to be a large publisher of CD-Roms by next year.

Anglia Multimedia has already produced two CD-Roms – one on British castles and the other The Human Body, which has been licenced to Encyclopaedia Britannica for sale in the US. Anglia is now planning to produce 13 titles by the end of the year, mainly for the educational market, and will move into the consumer market next year. By then the ITV company, famous for nature series such as Survival, hopes to be producing between 18 and 24 CD-Roms a year.

"We are concentrating on the creative and rights side. We don't want to bet on any particular hardware architecture," says Ajay Chowdhury, director of new media at MAI Broadcasting. The initiative is being backed by Lord Hollick, the MAI chief executive, who has installed a CD-Rom computer in his office.

Anglia, which is believed to be the first ITV company directly to produce CD-Roms, is planning titles in co-operation with English Heritage, the National Maritime Museum and other organisations. It also plans to exploit its own programme library to produce CD-Roms on nature, using the Survival catalogue.

Peter Stibbons, an Anglia media development executive, believes the TV background is vital in producing CD-Roms, for both education and the consumer market. Apart from exploiting the programme library, Anglia is now looking at CD-Rom potential when producing new programmes, so that any additional material can be shot at the same time. Anglia is also involved in producing interactive "real time" cartoons for TV, in particular a cartoon character called Ratz, whose behaviour can be influenced by children calling in to the programme.

Perhaps the most potentially dramatic Anglia initiative, however, is as part of an experiment which has already begun on Cambridge Cable in Anglia's transmission area. This project involves offering a wide range of on-demand services, including home shopping and banking, and allowing viewers to chose the time they want to watch the evenings scheduled programmes.

The consortium, which includes Anglia, Online Media, a subsidiary of Acorn Computers and ATM, providers of the video servers which deliver programming, is already available to 10 cable subscribers. The number will be increased to 250 next year.

ARCHITECTURE

How to commission a good new building

Colin Amery describes what makes an FT Award winner

Good architecture is fundamental to good business. This simple fact ought to be obvious, but it is still one of the more difficult tasks in life convincing the directors of a company that spending money on a good building will have benefits thet are economically significant. To put it at its most stark: how can you quantify the benefits of employing a well-qualified architect?

For nearly 30 years this newspaper has campaigned through its architecture award for a higher standard of design in the workplace, and that campaign has been successful. Whan tha Financial Times Industrial Architecture Award began, it had a specific task in the post-war world – to move industry out of tha satanic mills and into the white light of the second half of the 20th century. As the years have passed and we approach the millennium, the possibilities for architecture and for the world of work have changed completely.

The Financial Times Architecture Award, for which applications are now invited, has become more broadly based, and is looking for the highest quality of architecture in a major new building. Recent years have shown that buildings as diffarent as airports and libraries can win the FT award. The judges are looking for those qualities which make a work of architecture both distinguished and practical.

There is not as much mystery about the award's criteria as some architects like to think. The jury is looking beyond style to lasting qualities of elegance and efficiency. Although the jury includes two distinguished architects, there is always a third and important member who is a layman.

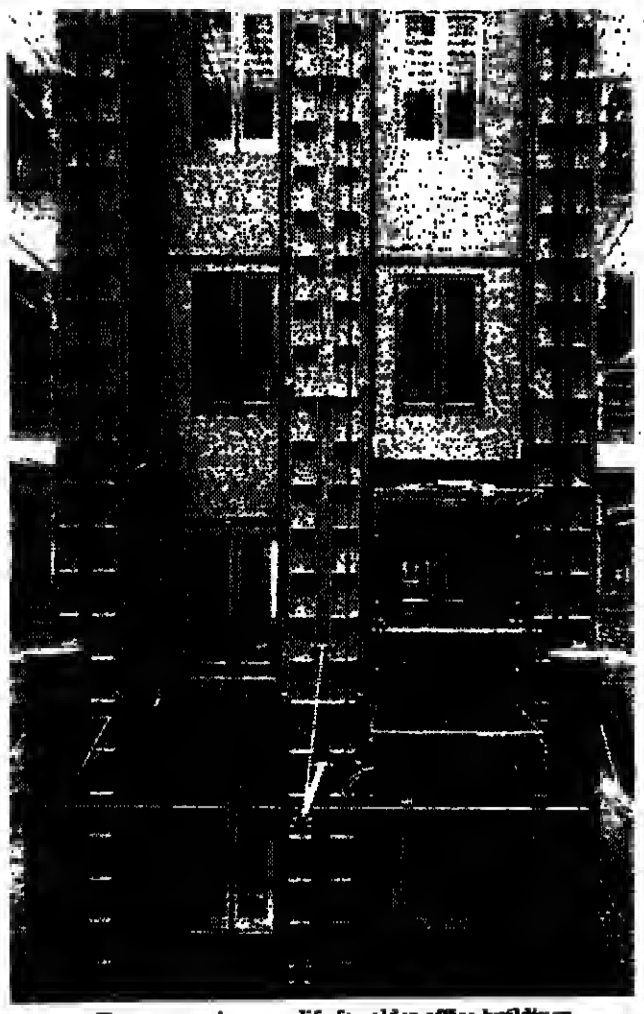
He is not exactly the man in the street, but he is a prominent businessman with the practical knowledge of commissioning buildings. As I have seen over the years, the layman plays an essential role in helping penetrate the arcane world of architectural fashion and discovering how practical and efficient a new building is.

It may not be realised quite how the FT award works. Applications are sought not only from architects but from the commissioners of buildings and those who use them. Owners of new buildings, the contractors who have built them, engineers and surveyors can all nominate a building as a candidate for the award.

What is taken especially seriously is an entry from a daily user of tha premises. When the jury visits a building – unlike some awards, which are often judged purely from glamorous photographs, the FT jury visits every short-listed entry – the building's architect is not allowed to be present.

The jury gets the whole story from the client and the users. It is not an uncommon sight to see the lay-judge lagging behind the chairman of the company's party, having a heart-to-heart chat with an employee who had problems with the office lighting, or is complaining about a lack of privacy, or about the building's hierarchical arrangements.

This year, with the easing of tha recession, we expect a strong entry of buildings that have been finishad since August 1993. But with the cooling of the building boom of the last few years, I hava suggested a certain flexibility in the time-frame for entries: some may have been completed for a little more than the last two years.



Bracken House: amazing new life for older office buildings

The 1993 competition showed clearly the widening of the award and also the interesting problem facing the judges in finding real architectural originality and quality, while ensuring that the building worked. The winner was the Queen's Stand at Epsom racecourse, designed by Richard Horden.

It is very much a place of work, and the judges were as interested in the quarters for the jockeys as they were in the architectural *tour de force* of the public areas. An important consideration was the relationship of the new stand to the glorious landscape of the Epsom Downs. In this regard the building scored very well, proving that a bold statement can complement a naturally beautiful location.

The range of last year's commended schemes was also impressive, showing that there is a lot of good new architecture in Britain if you take the trouble to find it. The new airport at Stansted ran the winner very closely. Indeed, the work of Sir Norman Foster was included twice last year, both at Stansted and at his elegant and economical library at Cranfield management college. This marvellous small building showed that tha employment of a distinguished leader of the architectural profession need not cost the client an arm and a leg, for the library was built within the tightest of educational budgets.

The refurbishment of buildings also qualifies for the award, and Michael Hopkins' work on the old Bracken House, near St Paul's Cathedral – once the home of the FT and now of a Japanese bank – demonstrated how amazing new life can be brought to older office buildings.

Entry forms for this year's award are available from the Corporate Communications Department, Financial Times, Number One Sonthwark Bridge, London SE1 9HL. The closing date is the end of December. Judging takes place next spring.

PEOPLE

Europe's realistic banker

Alexandre Lamfalussy of the European Monetary Institute explains his hopes for monetary union to **Peter Norman** and **Andrew Fisher**

These are busy days for Alexandre Lamfalussy, president of the European Monetary Institute. After 10 months squatting in buildings belonging to the Basle-based Bank for International Settlements, the forerunner of the planned European central bank is about to move to its new home in Frankfurt and start working at full speed.

From the 35th floor of an office block re-christened the 'Eurotower', Lamfalussy will preside over a staff of around 150, who will be charged with making possible European monetary union according to the procedures laid down by the Maastricht treaty.

It is a two-pronged task. The EMI's job is to make the preparations needed for setting up the European System of Central Banks and, with that, a single monetary policy and single currency, if and when the EU moves to the third and final stage of Emu.

The institute also has to help prepare for Stage 3 by co-ordinating monetary policy among the EU's 12 central banks and promoting the convergence of the EU member states' economies on a path of sustained low inflationary growth in the present Stage 2 of Emu.

Although the EMI is about 10 months behind schedule – thanks to prolonged wrangling among European Union countries over its eventual site – Lamfalussy is hopeful it will be able to achieve its goals.

Interviewed in his still-temporary headquarters in the BIS, he says: "Things are not as negative as they looked a year ago. Europe is enjoying a broad-based, non-inflationary recovery. If this goes on for two to three years it will create a climate which at least provides a framework for the political decisions to move ahead."

Like most Belgians, the 65-year-old Lamfalussy is a card-carrying Emu enthusiast. In his previous capacity as BIS general manager, he was a member of the Delors committee of central bankers that in the late 1980s plotted the three-stage route march to monetary union, later adopted in the Maastricht treaty.

But Lamfalussy is also a realist. Achieving Emu by 1997, the earliest possible date envisaged in the Maastricht treaty, he says "is not very plausible" because it is difficult to imagine seven of the 12 EU member states fulfilling the treaty's strict economic convergence criteria by then.

On the other hand, his belief is that there will eventually be a European central bank "in five, six or 10 years' time."

"The degree of internationalisation and integration of our economies is so fast and the European single market is moving ahead so fast and is going so deep, that so many vested interests will want stable exchange rates," he says.

His gut feeling, speaking as an economist, is that Britain will be unable to stand aside from Emu. But whether the UK joins Emu is a matter of high politics. The EMI has to focus on nitty-gritty matters and achieve agreement on such technically difficult issues as the preparation of banknotes to be used after the introduction of a single currency, as well as the drawing up of common features of payments systems in the EU.

A potentially difficult issue is management of the single monetary policy. The Bundesbank is actively promoting the notion that the proposed European central bank should follow its example and set monetary policy according to a money supply measure, while the Bank of England is promoting its more eclectic approach of steering policy according to an inflation target.

Here, too, Lamfalussy is relatively sanguine. There is, he explains, "no cleavage in ideology" among the European central bank governors that make up the EMI's council. All agree on the need for low inflation and the paramount importance of governments reducing their fiscal deficits.

There may be different techniques of monetary management but there are also similarities. The Bank of England, for example, looks at narrow and broad money figures as part of its policy for controlling inflation.

Reconciling differences will be a big part of Lamfalussy's job at the EMI. As president, he is both chief executive officer and chairman of the board. His task will be "to make sure things are going to happen," driving the technical committees – comprised of EMI staffers and national central bank officials – so that they come with answers to problems.

He has been able to handpick his senior staff and has managed to avoid placing people in posts according to national quotas.

Although Frankfurt-based, the institute's working language will be English.

But language will be the least of Lamfalussy's problems. He has perfected his English since a spell as a research student at Nuffield College, Oxford, in the 1950s. That was shortly after he fled to Belgium from Hungary at the age of 20 to escape communism.

He was a bank economist and academic until the mid-1970s, when he became an executive director and chairman of the Banque de Bruxelles. He joined the BIS in 1976 and was general manager of the central bankers' bank from 1985 until the end of last year.

He can claim to be the inventor of the EMI because, as a member of the Delors committee, he proposed that Europe's central banks should create a joint subsidiary to advance the progress of Emu in Stage 2.

The job of running the institute is "different from anything else I have ever done before," he says. He admits that he had more power as BIS general manager because, as the man in charge of the central bankers' bank, he was "living the markets" and had to take banking decisions.

It is the banking that he misses most: "It was great fun, of great interest, and it gave me, as an economist, a lot of feedback".

On the other hand he believes he has much greater influence as head of the EMI. "I have a much more politically exposed profile, there is no doubt about that. Even if you define the job in a narrow technical way, it still has very deep political connotations."

Then there is challenge of building a new institution. "I have never built an institution in my life. You can't imagine what it means to build up something from scratch. It is a very, very full time job.

"I am trying to use the present relatively calm waters to make the institution function, to build up its staff and working methods. If and when a crisis breaks, we will see how I shall be able to handle it".

Lamfalussy has been appointed for three years. At the moment he has no intention of seeking to extend his term beyond 1996.

But given Europe's recent turbulent monetary history there is no guarantee that he will avoid adding crisis management to his workload.

NAMES IN THE NEWS

New helmsman for Chicago's Navistar

Navistar, the Chicago-based truck and engine maker, has teetered on the brink of financial disaster more than once in the past decade, and each time James Cotting, an intense man with a flair for finance, has brought the company back, writes Laurie Morse.

The 61-year-old Cotting helped pull the company, once known as International Harvester, out of $4bn in debt in 1981, and went on to oversee a restructuring plan that saw the sale of the core agricultural machinery line, and the Harvester name, to Tenneco in 1985.

More recently Cotting engineered a settlement to trim pension obligations that had threatened to bankrupt the company.

Now, with the truck-making industry booming and Navistar on the verge of a strong turnaround, Cotting is ready to hand over the chief executive's reigns. Navistar's board has tapped John Horne, currently Navistar's chief operating executive, to take over when Cotting retires in March next year.

While Cotting joined Navistar in 1979 as an outsider and quickly rose to the top through the finance and planning ranks, the 56-year-old Horne is a career company man who started with Navistar in 1966 as an engineer. He was made head of Navistar's engine division in 1983, and became the company's chief operating officer in 1991.

Although not faced with an immediate financial crisis, Horne's challenge will be to bring Navistar's truck manufacturing group up to snuff with the industry.

The division's profitability has lagged, in part because North American demand for trucks has leaped so dramatically that Navistar has had trouble sourcing required components for assembly.

"Jack Horne is an operating guy credited with making a success of Navistar's diesel engine business," says John McGinty, an analyst with CS First Boston. "His challenge will be to move that success over to the truck side of the business."

Japanese adviser for Camdessus

Shigemitsu Sugisaki, a senior official from the Japanese Ministry of Finance (MOF), has been named as special adviser to Michel Camdessus, the International Monetary Fund's managing director, making him the most senior Japanese national at the Washington DC-based organisation, writes Gerard Baker.

His appointment follows the promotion of the previous special adviser, Prabhakar Narvekar, to the position of deputy managing director in June.

At that time, the Fund's most senior management was expanded from one to three deputy managing directors. A Japanese was not among the chosen three; the other addition to the customary American being Alassane Ouattara, Ivory Coast's former prime minister.

Sugisaki, 53, was most recently head of the secretariat at the Securities and Exchange Surveillance Commission.

He joined MOF in 1964, working his passage through the international finance and tax bureaus. He spent three years as assistant to the president of the Asian Development Bank from 1976.

Since then he has seen a range of assignments at MOF, becoming deputy vice minister of finance for international affairs in 1990 and deputy director general of the international finance bureau a year later.

In a recent interview, Sugisaki said the IMF's role should be strengthened, to achieve co-ordination on macroeconomic policy among leading industrialised nations.

He also expressed doubts about the possibility of reforming the current free-floating exchange-rate system. "Nothing is more desirable than realising stable exchange rates," he said, "but it is unrealistic to go back to a fixed exchange-rate system." Policy co-ordination was likely to be more effective in stabilising currencies.

He is expected to hold the position for three years, as did his predecessor.

Fresh governor at Bank of Greece

Being governor of the Bank of Greece is hardly the world's most secure job. Loukas Papademos, who took over last week, is the third central bank boss in less than a year, writes Kerin Hope.

His two predecessors were both former economy ministers and political appointees. Efthymios Christodoulou, the conservatives' choice, was sacked last November by the incoming socialist government and has since returned to the safety of the European parliament's back benches.

His replacement, Yannis Boutos, was a close political ally of Andreas Papandreou, the socialist prime minister.

But Boutos made the mistake of annoying other top socialists, among them Antonis Livanis, who does his best to ensure that Greece's state-controlled banks put the government's interests first.

Boutos was keen to privatise Bank of Crete, kept under central bank supervision since a $200m embezzlement scandal helped bring down Papandreou's government in 1989. But the socialists thought it should stay in the public sector. Boutos had to go.

Can Papademos stay the course rather longer? At 47, he is the youngest central bank governor ever appointed. He also has the advantage of being a technocrat, who taught economics at Columbia University in New York before joining the Bank of Greece 10 years ago.

And as chairman of the EU deputy central bank governors' committee, he was taken seriously in Brussels. He must be hoping his own government will accord him the same status.

ARTS

OPENINGS

LONDON
Maggie Smith's memorable 1969 film performance as the charismatic school mistress Miss Jean Brodie was always going to be a hard act to follow. Patricia Hodge dses to the challenge tomorrow when she stars in a stage version of Muriel Spark's novel, The Prime of Miss Jean Brodie, opening at The Strand Theatre.

PARIS
The ballet season begins tomorrow in Paris with the Opera Ballet now installed at the Bastille Opera House. A Balanchine/Robbins programme, preceded by the grand spectacle with the entire company, launches the season. Lots of cheering, and bags of swank.

VIENNA
To help compensate for the three-month closure of the State Opera for technical alterations, a production of Mozart's "Cosi fan tutte" is being mounted at the Theater an der Wien. Riccardo Muti will conduct a young international cast including Cecilia Bartoli and Boje Skovhus. First night is Sunday, and there are performances every second day till November 11.

NEW YORK
The Welsh bass-baritone Bryn Terfel makes his New York recital debut tonight at Lincoln Center's Alice Tully Hall, singing a portion of Schumann's "Eichendorff Liederkreis" and Schubert's "Schwanengesang" with James Levine at the keyboard. Last Wednesday he made his Metropolitan Opera debut singing the title role in "The Marriage of Figaro".

WASHINGTON
The National Gallery of Art opens an exhibition of Roy Lichtenstein's prints on Sunday. The show will include little-known prints from the 1950s and pop images from the 1960s when printmaking became a major force in contemporary art.

The great fame drain

British cinema talent is being colonised by a predatory Hollywood. But, argues Nigel Andrews, we should simply lie back and enjoy it

Colin Welland, waving that famous statuette, said "the British are coming". But the *Chariots Of Fire* Oscar triumph was 15 years ago. More recently, the British have indeed been coming, all ovar the movie landscape, but not quite in the way envisaged by Welland.

Many British films, directors and actors now find themselves in the position of being lucrative exports without any early life in a British factory or warehouse. Half a generation after our cinema thought it would conquer the world by sitting tight and making home-bred history epics, we have replaced a dominion movie culture with a diaspora movie culture.

Look at yesterday's key players. Richard Attenborough has returned to his acting roots to make *Jurassic Park* and the forthcoming Christmas film *Miracle On 34th Street*, after falling gently down the ladder of directorial bankability from *Cry Freedom* to *Shadowlands*. And the *Chariots* writer-producer duo of Colin Welland and David Puttnam have just released a humble childrens' comedy, *The War Of The Buttons*, with about as much Oscar potential as an episode of *Jackanory*.

Meanwhila two of British cinema's one-time traitors and fugitives have returned to become its all-hailed messiahs. The gone-Hollywood brothers Ridley and Tony Scott (*Alien*, *Blade Runner*, *Top Gun*, *True Romance*) have bought up Shepperton Studios, with the aim of turning it into an England-based blast kiln for international cinema.

With luck this move – and its symbolic imprimatur for anti-nationalist adventurism – will see the end of siege mentality cinema forever in this country. By free movement in and out of other nations and cultures, British cinema is creating a virtual new renaissance.

In many cases individual British movies and actors find that by going to America *first* – followed by the rest of the world – they can make an international impact almost before home audiences have heard of them. *Four Weddings And A Funeral*, which opened in the US several weeks before its UK release, has just become the most commercially successful British film of all time. Why the jackpot? Because the film jumped straight into a foreign market, rightly suspecting that selling itself to an outsiders' view of Britain was better than selling itself direct to Britain herself.

If *Weddings* had opened first at home we might have dismissed it – knowing our country too well – as a frothy piece of anyone-for-tennis comedy romance. America and other countries, allowed a first glimpse, decided to see it as quintessential Britain: as a mini-genre – the silly ass comedy – gone mythic.

What director Mike Newell had done, much as Ridley and Tony Scott and other Anglos had done to Hollywood's own action thrillers or sci-fi films, was to raise the style stakes so that a little timeless archetypalism (even a little post-modern preposterousness) upstaged or transcended the realism.

It is not just British films and directors, it is British actors that America – and a world movie public following America – are now picking off the remaindered shelves of British indifference.

For years Hugh Grant, formerly of *Maurice* (1987) and *A Handful Of Dust* (1988), ranked nowhere as a movie presence. His comic potential was ignored by most fellow Brits even in *Bitter Moon*, a highly promising trial run for *Four Weddings*. In America, after *Weddings* opened, Grant's face launched a thousand popularity polls and graced a dozen magazine covers. Once again foreign eyes and ears had sensed a distilled and perfect "Britishness" that we were deaf and blind to.

It is part of a swelling tide of Anglophilia to which British cinema would be foolish to play Canute, or to complain that we are "selling out" to other people's caricaturing vision of us.

Grant is rare only in being a nice chap in a British casting directory – nay, an entire export industry – largely dominated by nasty chaps. Hollywood comes to us for its villains. These have included Alan Rickman (*Die Hard*, *Robin Hood*), Anthony Hopkins (*Silence Of The Lambs*), Jeremy Irons (*Reversal Of Fortune*, *The Lion King*), Charles Dance (*Last Action Hero*) and Stuart Wilson (*No Escape*), to name but the vanguard. (Actresses, nice or nasty, export more slowly. Bnt Emma Thompson is currently up there above-the-title with Arnie, Danny De Vito and company.).

Why are the foreigners going for this new improved Brit pack? Partly because our actors, theatre-honed, offer a performance panache increasingly unavailable among American stars, who are either riddled with late-generation Method tics (Hoffman, De Niro, Pacino) or branded with I for Iconic Inanition (Schwarzenegger, Stallone).

But it may also be hecause Britain today is a uniquely placed buffer culture on the western map. All these pedigree toffs of ours, moving between suave villainy and lovable silliness, belong to a country itself poised, in the dangerous days of Gatt, between the moustache-twirlers of Europe and the honest folk back in America.

In an age when the US is terrified of being left behind in the Great Classiness Handicap, with Europe's countries banding together to cock a high-culture snook at the new world, a love-hate romance is growing in Hollywood with the one common-language (and special-relationship) country that US movies can recruit to represent the old world's values for the new. Euro-awareness may also be why Scorsese in *The Age Of Innocence* and Coppola in *Dracula* and Spielberg in *Schindler's List* are increasingly turning to Euro-tinged subjects as the 1990s march on.

So while Hollywood seizes on British actors as special messengers of erudition, elocution or patrician charm, audiences have flocked to *Four Weddinge And A Funeral*, believing there is a lost world out there, somewhere near Europe, where fluffy, lovahle, ramhling human stories can happen: stories that have no resemblance to America's own fast-food cinema of car chases, cop action and ravening dinosaurs.

A decade and a half after we took "Britishness" so seriously, after winning that bunch of Oscars, that we thought the future lay in exporting UK pageantry for ever and ever, we discover that the future for British cinema – its popular cinema at least – does not really lie with us at all. It lies with those who better judge our charms and international selling-points and have better equipment for marketing it. Our turn to be colonised and exploited? If so, we should lie back and enjoy it.

Hugh Grant in 'Maurice': then he was ignored by most fellow Brits. But when 'Four Weddings and a Funeral' opened in the US, he became the hottest name in Hollywood

Opera in London

Rare Shostakovich

Hard upon Tom Courtenay's heels in *Moscow Stations* comes Shostakovich's musical comedy, which is also concerned with a Moscow suburb. Not in Brezhnev's time, however, but in Krushchev's; and unlike Yerofeev's dream-village Petushki, Cheryomushki is a real-life brute of a suburb, a monstrous concrete estate. The mainspring of the comedy is that everybody is trying desperately to get a flat there, because there is almost nowhere else left around Moscow to go.

Though Shostakovich's piece had a fair Moscow success in 1959, this Pimlico Opera production at the Lyric Hammersmith is its British premiere. I imagine that it does it justice, hut one should recognise the sea-changes thet *Cheryomushki* has undergone. It was designed for a standard Soviet theatre, which meant a large orchestra and an established company with its own comedians, etc.; it is delivered here by ten soloists (mostly young), an eager, hard-working chorus of seven and a 14-strong band, on e strictly limited budget.

With the colourful resources of a Soviet theatre, the time that *Cheryomushki* takes might pass more quickly, but it would probably not be better. In fact the story is quite lean: while four couples sort out their personal difficulties, they are more passionately involved in hunting flats, or hanging on to them. Most of that is farce. By the end, the right people win and the others do not, especially not the corrupt hureaucrats. In Paul Andrews' austere sets, Lucy Bailey stages the action energetically.

Shostakovich's music is the problem. Ohviously his heart was not in it, for the mostly short numbers are relentlessly hright, hrittle and banal. A little of that goes a long way; the whole of it goes on for three hours, with no characteristic touches from the composer but the odd small harmonic fracture. There are more and better tunes in his symphonies than in this "musical".

What attracted him to the project was presumably the chance of registering a mild social protest for a popular audience, hut it sounds as though he bad the most pessimistic expectations of their ears. Still, for historical reasons it is interesting, and the keen Pimlico team do their collective nut to infuse it with some comic life.

David Murray

Sponsored by National Westminster Bank; performances to October 29.

Notions about Orpheus

English Touring Opera has an established reputation for taking enterprising stagings to opera-starved venues, but its current tour, which opened at the Richmond Theatre on Wednesday, is saddled with a new production of *Orpheus and Eurydice* that tries just too hard.

The special qualities of Gluck's opera appear to have alnded the inventive producer Stephan Medcalf, who conjures up a series of ideas that detract from the "beautiful simplicity" the composer sought. Some of his images are affecting: the opening, staged as Eurydice's funeral with Orpheus cradling the urn containing his wife's ashes; and portraying the entrance to the underworld as cardboard city, with dishevelled Furies sleeping rough and guarding the boarded-up window that leads to Elysium, is a metaphor of some potential.

But many of Medcalf's notions – is it all Orpheus's nightmare? is he a ghost? – have not been developed. The ballet numbers cue "meaningful" mime, and the lovers' reunion is staged as a series of charades. The final rejoicing calls forth toasts, party hats, streamers and cringe-making choreography. At least Charles Edwards's black-and-white sets provide an element of restraint.

Circumstances beyond the company'e control – pit lights went out on the orchestra twice – added to the unsettling feel of the evening, hut Martin André's musical direction was in itself uneasy. And from e company that regularly commissions translations, it was worrying to hear how littla of Michael White's new version came across.

With "authenticity" not a high priority, the casting of a countertenor Orpheus was perhaps perverse when ETO could have had excellent mezzos cueing up. Timothy Wilson's intonation was good, though his voice did not carry the emotional weight Gluck's hero requires. Elizabeth Woollett, a strong soprano with a feel for the style, made an apt heroine, bot Helen Wold's Cupid was compromised by the pixie-like characterisation imposed on her.

One reason for cherishing ETO is the opportunities it provides young singers, and there was considerable talent on show in the revival of the company's *Bohème* on Thursday. Leading the principals was Sarah Pring's beautifully focused Mimi and John Cogram'e fresh sounding Rodolfo; Adrian Clarke's secure Marcello, and Naomi Harvey a capricious Musetta whose entry brought chaos to the Café Momus. Thomas de Mallet Burgess's production has been tightened with profit and Andrew Greenwood conducts the reduced orchestra with feeling and flair.

John Allison

English Touring Opera's autumn season runs until December 3 (071 820 1141). Sponsored by Barclays Bank.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper Tomorrow: Marilyn Home song recital. Wed: Tosca. Thurs: Aida. Fri: Zar und Zimmermann. Sat: Roland Petit choreographies. Sun: Der Rosenkavalier. Nov 2: Hermann Prey song recital. Nov 12: first night of new production of Poulenc's Dialogues des Carmélites (341 0249)

Staatsoper unter den Linden Tomorrow, Thurs: Telemann'a Orpheus with cast headed by Janet Williams. Fri: ballets by Alonso and Vamos. Sat: René Jacobs conducts Bach cantatas. Sun: Daniel Barenboim conducts final performance of Patrice Chéreau'a production of Wozzeck, with cast headed by Catherine Malfitano, Falk Struckmann and Graham Clark. Nov 5: first night of new Barenboim-Kupfer production of Siegfried (200 4762/2035 4494)

CONCERTS

Philharmonie Wed: Giuseppe Sinopoli conducts Dresden Staatskapelle in works by Richard Strauss and Schumann. Thurs, Fri, Sat, Sun morning: Seiji Ozawa conducts Berlin Philharmonic Orchestra in Mendelssohn's First Symphony and Bartok's Concerto for Orchestra (2548 8132)

Schauspielhaus Wed: Moscow Ensemble for New Music plays works by Rihm, Ruzicka and others. Fri: Yuri Ahronovich conducts Berlin Radio Orchestra in symphonies by Shostakovich and Franck. Sat and Sun: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Chorus in Chopin's Second Piano Concerto (Cristina Ortiz) and Mendelssohn's Lobgesang Symphony (2090 2156)

THEATRE

This is British Playwrights Week at the Deutsches Theater. German-language performances of new plays by Martin Crimp, Kevin Elyot, David Greig, Meredith Oakes and David Spencer are being presented in association with London's Royal Court Theatre (2844 1225). Peter Zadek's Vienna Festival production of Shakespeare's Antony and Cleopatra can be seen at the Berliner Ensemble, with a cast headed by Gert Voss and Eva Mattes (282 3160)

■ NEW YORK

THEATRE

● Uncommon Women And Others: e revival of Wendy Wasserstein'a play about friends at a small New England women's college, who meet for tea and then for e reunion six years later. A Second Stage Theatre production directed by Carole Rothman. Opening night is scheduled for Wed (Lucille Lortel, 121 Christopher St, 239 6200)

● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)

● A Cheever Evening: A.R. Gurney'a new play, based on 18 stories by John Cheever, is directed by Don Scardino (Playwrights Horizons, 416 West 42nd St, 279 4200)

● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)

● Show Boat: Harold Prince's new production of the 1927 Jerome Kern/Oscar Hammerstein musical is the first show on Broadway to cost $75 a ticket. It is a huge hit which will run and run - but in her FT review, Karen Fricker said that despite its musical excellence, the production was emotionally empty (Gershwin, 51st St west of Broadway, 307 4100)

● Jelly Rolll: Vernel Bagneris stars in a musical show about jazz legend Jelly Roll Morton, with Morten Gunnar Larsen on piano (47th Street Theatre, 304 West 47th St, 265 1086)

● Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)

● Carousel: Nicholas Hytner'a bold, beautiful National Theatre production from London launches the 1945 Rodgers and Hammerstein musical towards the 21st century (Vivian Beaumont, 150 West 65th St, 239 6200)

● Blood Brothers: Willy Russell'e musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carole King (Music Box, 239 West 45th St, 239 6200)

● Stomp: a loud, aggressive and energetic movement-theatre show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 6th and 7th Streets, 307 4100)

OPERA/DANCE

Metropolitan Opera This week'e repertory consists of Arabella tomorrow and Sat afternoon with Kiri te Kanawa and Marie McLaughlin, Le nozze di Figaro on Wed and Sat with Bryn Terfel and Dawn Upshaw, and Tosca on Thurs with Ghena Dimitrova and Luciano Pavarotti. The first new production of the season is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)

State Theater New York City Opera's autumn season runs till Nov 20. This week's performances are daily except tonight and Thurs, and feature La boheme, Madama Butterfly, Mefistofele, Il barbiere di Siviglia and Die Zauberflöte (870 5570)

CONCERTS

Alice Tully Hall Bryn Terfel gives a song recital tonight, accompanied by James Levine. Thomas Hampson takes part in a recital on Wed, and the Borodin Quartet opens a cycle of Shostakovich string quartets on Sun afternoon (875 5050)

Avery Fisher Hall Zdenek Macal conducts the New York Philharmonic Orchestra tomorrow in works by Musorgsky, Stravinsky and Berlioz, with violin soloist Co-Liang Lin. Wed: Tadaaki Otaka conducts BBC National Orchestra of Wales in Tchaikovsky, Rakhmaninov, Elgar and Daniel Jones, with piano soloist Shura Cherkassky. Thurs, Fri afternoon and next Tuesday: Leonard Slatkin conducts NYPO in works by Kernis, Dvorak and Richard Strauss, with violin soloist Pamela Frank (875 5030)

Carnegie Hall Shlomo Mintz conducts Israel Chamber Orchestra on Thurs in works by Patros, Mozart, Stravinsky and Haydn. Next Mon: Vienna Symphony Orchestra (247 7800)

■ PARIS

DANCE/OPERA

● The Paris Opéra Ballet's 1994-5 season opens tomorrow at the Bastille with the traditional Grand Défilé, followed by Balanchine's Le Palais de cristal (Symphony in C) to Bizet, Tha Four Temperaments to Hindemith, and Jeroma Robbins' Glass Pieces to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programma, Nureyev's production of Swan Lake, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme (4742 5371). The next opera production at the Bastille is a revival of Le nozze di Figaro, opening Nov 5 (4473 1300)

● The Kirov Ballet is in residence at Théâtre des Champs-Elysées between Nov 2 and 7, followed by the Kirov Opera from Nov 23 to Dec 11 (4952 5050)

● The new Ring production at the Châtelet continues with Siegfried on Thurs and Götterdämmerung on Sat. The conductor is Jeffrey Tate and the producer Pierre Strosser. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840)

CONCERTS

Théâtre des Champs-Elysées Jean-Claude Casadesus conducts Orchestre National de Lille tonight in a Berlioz programme, with vocal soloists including Laurence Dale and Michele Lagrange. Neeme Järvi conducts the Gothenburg Symphony Orchestra on Wed in Alfven, Sibelius and Musorgsky/Ravel, with violin soloist Maxim Vengerov. Philippe Herreweghe conducts Ensemble Vocal Européen on Fri in choral works by Monteverdi and Cardoso. Pierre Amoyal gives a violin recital on Sun morning (4952 5050)

Salle Pleyel Kenneth Montgomery conducts Orchestre Philharmonique de Radio France on Thurs in works by Tippett, Prokofiev and Verdi. Itzhak Perlman plays the Tchaikovsky Violin Concerto with the Orchestre de Paris on Nov 2 and 3 (4563 0796)

JAZZ/CABARET

Buster Williams Quintet is in residence this week at Lionel Hampton Jazz Club. Oct 31-Nov 12: Mighty Sam McClain. Music daily from 10.30pm to 02.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

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MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

Management can't replace thought

The headlines from the UK Treasnry's Fundamental Review of Running Costs were all about the loss of one in four in top personnel. But reducing the size of the Treasury is not itself an important contribution to expeoditure control. It is a tiny department employing 1,400 people including clerical staff other supporting workers. The review claims that it did not attempt to make economies for their own sake, but rather asked whether a reformed and slimmed down Treasury could do its joh more efficiently.

There is a case to be made. The Treasury may be too hierarchical, and waste time and energy in passing papers from one level to another. There may still be too much candle-ends control of the expenditure of other departments in place of priorities and ceilings.

Unfortunately the review does not say anything as straightforward. The principal author, Jeremy Heywood, is no shrinking violet and one would expect him to be direct and pungent. But something seems to happen to the writing of people, whether journalists or officials, who venture into management: they come under the grip of a woolly and obfuscatory jargon. The authors remark that such few officials as the Treasury does have abroad are mostly in America and they advocate a shift of emphasis towards Europe. More knowledge of languages will thus be required. This is correct and applies most of all to English. I would defy anyone who reads the full document of more than 200 pages to come to any intelligent conclusion on whether the proposed changes are for the better or the worse. The review has dozens of acronyms in each chapter, and there is no glossary.

We have, of course, been here before. Similar reforms were advocated by the Plowden Committee in 1961. As one Oxford commentator suggested, the Piowden report must have gone through "that

The Treasury: a clean-up

lengthy process of redrafting, during which the sharp edges, the pungent phrases and any handle to ontside critics were all removed".

Like the present review, Plowden went on about the importance of management and on the need for top officials to spend more time running their departmenta instead of on the more glamorous job of advising ministers. The review says that the ability to manage will be as important as the need to analyse policy. (In a one-sentence lifeline, it grudgingly admits that there will be a place for the analyst who cannot manage. Thank you, Jeremy.)

The most important point of substance in the two reports is identical: the need for more delegation to the spending departments. There is, of course, the opposite view that unless a senior department, such as the Treasury, and a senior minister, such as the chancellor, get thoroughly involved in departmental detail, they will be easy victims to spending lobbies and pressure groups of all kinds. The outsider cannot judge. For the review gives no examples of spending control. Nor does it even list the limits below which departments can decide.

It comes as a breath of fresh air to find the odd seotence on events and policies, for example that the sharp increase in the budget deficit in the 1990s took place because no one section of the Treasury was clearly responsible for ensuring that "the Public Sector Borrowing Requirement came out on track".

The review rejects the idea of downgrading economic forecasts and contracting out the Treasury model. Here it is unconvincing. Finding policies which are less dependent on crystal gazing ability is just as demanding an intellectual task as making a forecast and a better use for Treasury hrainpower.

The chancellor, Kenneth Clarke, has overruled his officials by suggesting a marketing of the Treasury forecasting work in a couple of years. But I wonder if he realises that more than a normal commercial tender is involved. The numerical estimates in the various macro models are adjusted to fit the most fashionable theories and not the other way round – and necessarily so.

The review makes a brave attempt to distinguish between the Treasury mission statement (to maintain a stable macro-economic environment) and the "objectives" (permanently low inflation) which may characterise particular governmenta. But the whole drift of the document is that economic policy consists of pursuing low inflation, a balanced budget and efficient control of public spending. I could not resist writing in the margin of my copy, "signed Sir John Simon, 1939" (Sir John was the last British chancellor unaffected hy Keynes).

Simon may have been more right wing than his postwar successors. But what many politicians and their businessmen friends will never learn is that such matters are *inherently contestable* – there is no hard science in sight which manager-politicians can tap if only they run a tight ship. One postwar chancellor complained: "Three Treasury knights have seen me and they have all told me to do different things." That is a more accurate presentation of the state of knowledge than the managerialists would have us believe.

The North-South divide narrows

Pyongyang's nuclear accord with Washington could lead to a united Korean peninsula, says **John Burton**

The nuclear agreement between the US and North Korea signed last Friday could prove a turning point for the Korean peninsula.

The deal looks set to reverse North Korea'a flagging economic fortunes and increase the links between North and South – offering the best hope yet for the reunification of the two countries, divided since 1945.

Promises of improved diplomatic ties, and security guarantees, should encourage North Korea to open to foreign investment and goods, as well as energy supplies. However, mutual distrust could still unravel the deal'a mix of concessions and incentives.

North Korean reform has already gathered momentum this year. The death in July of President Kim Il-sung, the country's only leader since its establishment in 1948, marked the end of the old guard, which favoured the policy of *juche* (self-reliance).

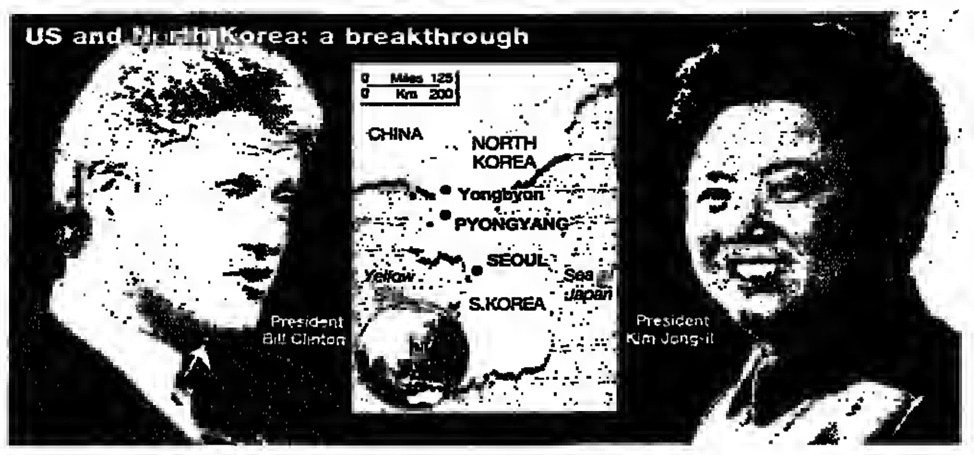
The expected assumption of power by his son, Mr Kim Jong-il, in the next few weeks will strengthen the influence of a younger generation of technocrats, who support an opening of the country and appear to have the approval of the new leader.

This emerging class argues thet North Korea must change course to avoid economic collapse. Dwindling economic aid in the past four years from Russia, following the collapse of the Soviet Union, and China has led to energy and food shortages and a 5 per cent annual contraction of the economy.

"North Korea is shifting from the aggressive guerrilla-style communism of Kim Il-sung and his dream of forced reunification of the Korean peninsula to a pragmatic policy of emphasising domestic economic issues and maintaining political control *à la China*," said Mr Michael Breen, editor of Korea Countdown, a Seoul-based newsletter on North Korea.

The role of North Korean technocrats in the complex nuclear negotiations of the past 19 months supports the view that Pyongyang has exploited international concerns over its nuclear programme to win diplomatic and economic support for its economic revival.

North Korea "has finally got everyone's attention," said Mr Stephen Linton of the Center for Korean Studies at Columbia University in the US. "After almost a half century of



enmity" between North Korea and the US, they "seem to be sincerely committed to making progress toward a lasting peace."

North Korea has certainly reaped significant economic benefits from the nnclear agreement. In return for abandoning its nuclear programme, which is capable of producing weapons-grade plutonium, the country will receive oil supplies from the west, followed by safer modern light-water reactors. These will help the country deal with the chronic energy problems that have heen the prime cause of its economic troubles.

The US has also promised improved diplomatic ties, which could clear the way for additional western aid and trade. The easing or lifting of the US trade embargo against North Korea could allow the country to join the Aslan Development Bank and the World Bank. This would give it access to multilateral financing, which could be used to support the development of free economic zones for foreign investment and to repair the country's crumbling roads and railways.

The normalisation of relations with the US would also encourage improved links with Japan, which could bring billions of dollars in reparations from Tokyo for its colonial occupation of Korea.

The security guarantees given by the US as part of the nuclear deal may also see Pyongyang's attitude to the outside world hecome less paranoid. The US has pledged that its nuclear weapons will never be used against North Korea, and has agreed to suspend the annual large-scale US-South Korean "Team Spirit" military exercises.

Sucb notable diplomatic gains, so soon after his father's death, are likely to bolster Mr Kim Jong-il's prestige and remove doubts among possible rivals about his capability to run the country.

The nuclear pact opens the way for South Korea to start investing in the North

Nonetheless, Pyongyang is taking risks in accepting the nuclear agreement. North Korea will become dependent on its former enemles in the west for crucial energy supplles, includiog oil and enriched uranium to fuel its new reactors. This will give Washington unprecedented leverage in influencing future developments in the North, unless Pyongyang can find alternative sources, such as China.

A more serious danger for Pyongyang is that growing foreign influence could undermine a government that has built public support on decades of intense and ceaseless propaganda.

"Kim Jong-il knows that a major relaxation would permit people to focus on the internal causes of their troubles, which is the regime itself and the system it enforces," said Mr Bradley Martin, a Fulbright scholar wbo is preparing a book on North Korea.

Mr Breen adds: "The dilemma for North Korea is that it needs to open, hut the question is how much without causing internal troubles."

Pyongyang is betting on economic aid halting the slide in living standards, and on increased domestic production of consumer goods by both foreign and local companies. But some analysts believe North Korea cannot save its economy without widespread reforms that would dismantle its centrally-planned economy and weaken political control.

The nuclear agreement is also risky for the US and its South Korean ally. The delay in international inspections of some of the North's nuclear facilities gives Pyongyang several more years to perfect at least one atomic bomb from the plutonlum it may have already reprocessed.

Moreover, some officials in Seoul are concerned that Washington's promise never to launch a nuclear strike against North Korea leaves South Korea vulnerable hy removing it from the US nuclear umbrella.

They predict that once Pyongyang achieves diplomatic ties with the US, it will increase pressure on Washington to sign a formal treaty ending the 1950-1953 Korean war and to withdraw 40,000 American troops from South Korea.

Seoul has gained one important advantage from the nuclear agreement, however. If implemented, the treaty is more likely to bring a gradual reunification of the two Koreas, than a sudden collapse of the North, requiring a costly rescue by the South.

The turmoil caused by the German unification process has prompted fear among South Koreans of the effects of a similar process on their own doorstep. Rapid unification with a hroken economy might cripple South Korea's efforts to become an advanced industrial nation by forcing it to divert scarce resources to reconstruct the North. According to some government estimates, such a process could cost as much as $250bn-$400bn over 10 years.

Instead, the nuclear pact opens the way for South Korea to start investing in the North, laying the foundation for a smooth merger of the two Koreas in perhaps the next decade or two.

The South's leading conglomerates, or *chaebol*, are already preparing plans, with Pyongyang's approval, to establish light industrial factories in the North. Seoul's central role in constructing the new light-water reactors for North Korea will also begin the process of connecting the two countries' infrastructures.

But much could go wrong during the nuclear agreement's protracted timetable. The North Koreans are tough bargainers and may try to exploit the terms of the accord to wring new concessions from the west, such as the cooclusion of a US-North Korean peace treaty. Much will also depend on Mr Kim Jong-il's ability to deliver Pyongyang's side of the bargain – and he is thought to be in poor health.

The agreement has begun a process that will gather momentum. It bas struck a fine balance between North Korea's economic gains and the world's security gains: unification could quickly turn the Koreas into one of the world's economic powerhouses. But it remains an ambitious undertaking.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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A natural order of luxury

From Mr Jorge Eduardo Navarrette.

Sir, I was very much amused by Tony Walker's dispatch on the use of luxury cars by Chinese Communist party cadres ("Chinese officials lose a touch of luxury", October 17). It is not the first time that an attempt to impose austerity on them has been made.

I was in Peking in late 1989, when the dust of the infamous Tiananmen Square "incident" was starting to settla and when a similar directive was issued. It produced a very funny result: high officials were driven in old Chinese-made cars, followed by two or more shining deluxe European cars stuffed with security personnel. After several weeks the natural order of things was quietly restored. I assume the same will happen again.

Jorge Eduardo Navarrette,
Mexican Embassy,
Felix de Amesti 128,
Santiago, Chile

Death of healthcare

From Mr Fredric Steinberg.

Sir, Although dated October 19, Mr Tim Hames's article, "US healthcare: the issue that won't die", has the curious appearance of an ancient relic when measured politically. While addressing the matter of "Who killed healthcare?", he claims that the irony is that the White House has won on healthcare.

In fact, the irony is that President Bill Clinton's ratings have risen only since he has engaged himself in the foreign policy of the US, and he and his peppery spouse along with the Congress have dropped out of the war on American healthcare.

And all this time I had been believing rumours that healthcare change died as a result of a plot hy foreign *agents provocateurs*: where will the Canadians get treatment if US healthcare goes down the socialised road to medical ohlivion?

Fredric Steinberg,
705 North Crossing Way,
Atlanta, Georgia 30033-4057, US

Redefining the Treasury role

From Mr Peter McGregor.

Sir, Sir Terry Burns' belief that "the Treasury should not remodel itself as merely the finance department of UK plc" is correct ("Civil Service Reorganisation: Mandarins try to please the critics", October 20). It is in fact the Treasury's financial control functions which should be taken away so that it becomes only the Ministry of Economics (It was in trying to start up a competitive ministry that the then prime minister Harold Wilson made one of his many mistakes.) The Treasury could also inherit some of the regulatory trade functions of the Department of Trade and Industry with consequent savings there.

The Treasury may have a poor record in forecasting, but anyone who has had anything to do with it knows that its ability to handle budgeting and financial control is even worse. We need a new ministry with new people who understand these things.

What is required is an inquiry into the system as it works at the moment, inclnding the auditing function and parliamentary scrutiny, and some consideration of alternatives (including those methods used by our EU partners).

This must be done by a group which has internal civil service and external industrial and financial experience and not by the Treasury's inspectors, another group which in my experience fell far short of what was necessary to discharge the function.

Peter McGregor,
Dacre Cottage,
Longworth, Oxfordshire

Stimulate investment for long term

From Dr J H Mulvey.

Sir, Two headlines on page 10 of your October 20 edition say: "CBI warns employers to cut unit lahour costs", and "The case for an imaginative budget".

The first features the Confedaration of British Industry's concerns over rising wages at a time when UK productivity is less than that of the US, Germany and Japan. But the CBI also warned thet investment in the UK is well behind that of other countries.

South Korean industry, for example, spends more on research and development, as a percentage of gross domestic product, than industry in the UK, and employs more graduate scientists and engineers. The Seoul government has announced the aim of raising total national investment in R&D to 4 per cent of GDP, twice the UK level, hy the end of the century.

An "imaginative hudget" would take actions to stimulate and help industrial investment, especially for small and medium-sized companies, and introduce measures to counteract the endemic short-termism prevailing in industry and the financial markets. Countries such as South Korea know thet long-term productivity and competitiveness depend on investments made today.

J H Mulvey,
executive secretary,
Save British Science,
Box 241,
Oxford
OX1 3QQ

Chaos (theory) in modern business

From Mr Kenneth Armitage.

Sir, During the past decade there has been a plethora of management theories and practices such as "human resource management", "total quality management", "downsizing", "re-engineering", "flatter management structures". More recently we have had "npward appraisals".

Most of these theories are US imports and are designed, apparently, to confuse the fundamental management principle of command and control through responsibility and accountability.

Tony Kippenberger's statement that "much of today's management theory is being questioned", (Letters, October 13), necessarily leads to the assumption that many of these recent management ideas are designed to create confusion and internal chaos and are, perhaps, not relevant to some organisations. Indeed each concept has often been marketed by those consultants who are looking for ways to convince management that this particular technique would work well in their company.

For example human resource management is likely to he more effective in smaller companies where everyone has an understanding of each other's jobs, hut not, perhaps, in a large organisation with separata operating divisions and husiness units. The "just in time" (JIT) technique is effective where there is a rapid and constant turnover in stock and where space is at a premium, but not so relevant in a large manufacturing company where supplies are needed on demand and where space is available. And performance-related pay (PRP) will work in an organisation where there is a culture of individualism and competition, but not where teamwork is an essential part of the equation.

Likewise, the curreot fad of "upward appraisals" is likely to work in the US where individualism is the primary order and where there is a more casual approach to the concept of management, accountability and responsibility. It is unlikely to be accepted in the long-established and stratified societies and cultures of Germany, France and the UK; it will definitely not work in the structured and organised Japanese society.

Therefore, there can naver be established global management theories and practices simply because of the differences in culture and society.

Debate management theories by all means but the recommendation which might come out of any discussion group is that companies should adapt or adopt only those practices which meet the demands of their organisation; implement techniques of likely benefit to the company; and condemn ineffective practices to the waste paper basket.

Kenneth P Armitage,
6 Debden Valley Drive,
Kesgrave, Suffolk IP5 7FB

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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Dollar decline (continued)

If the reputation of economic forecasters has sustained damage in recent years, the sub-branch of the trade that seeks to predict currency movements has seen its credibility pretty well shredded. The perpetrator in chief has been the dollar, the decline of which against both the yen and the D-Mark this year has confounded the great majority of pundits.

The general assumption in January was that rising interest rates in the US, combined with slow recovery in Europe and Japan, would ensure a cyclical rebound in the dollar. Huge portfolio positions were built on this near-unanimous market view, often on borrowed money. The rest, so to speak, is hysteria, as both bond rates and currencies have danced to a different tune in an uncertain key. Why have currencies so dramatically defied predictions?

Part of the problem has been that interest rates did not come down to the expected extent in Germany and Japan. The markets have also worried that the trade dispute between the US and Japan gave the Clinton administration an interest in a weak dollar in order to apply pressure to the Japanese. Yet the more powerful influence has been a shift in the structure of capital flows.

With Japan projected by the Organisation for Economic Co-operation and Development to run a current account surplus of nearly $130bn this year, while the US runs a deficit of just over $140bn, the natural direction for capital to go is from the world's biggest creditor to its biggest debtor country. But Japanese investors have been reluctant to play their part in this process.

One reason is that they have incurred large accumulated losses on foreign investments, not least because of the yen's structural tendency towards appreciation. Another is that the relative bond returns in Japan are seductive.

Japanese investors

At current rates of inflation – nil for Japan, about 3 per cent for the US – the real yield on 10-year bonds in Japan last week was 4.7 per cent compared with 4.9 per cent in the US. That provides little protection for Japanese investors against further dollar weakness.

The picture could be even more stark. Some analysts are predicting a deflationary fall of as much as 10 per cent in the Japanese price level over the rest of the decade, in which case real yields in Japan could be nearer 6 per cent. Even cash would afford a real yield of 2 per cent in such deflationary circumstances. The temptation for Japanese investors to forsake domestic bonds for overseas IOUs is thus minimal. And in equities, Wall Street remains very fully valued.

US deficit

On the US side, meantime, long-term portfolio capital is no more inclined to flow in the direction that the current account deficit requires than in Japan. US pension funds and mutual funds have been trying to reap the benefit of international diversification, which is supposed to bring higher returns for a given degree of risk.

Against the background of a rising US current account deficit and a growing net outflow of direct investment, a $37bn swing last year from inflow to net portfolio outflow contributed significantly to dollar weakness. The timing and extent of such changes in stocks, as opposed to flows, is notoriously difficult to predict. But the course of long-term capital will in time change. What could bring that about?

If US bond rates were to rise and Wall Street were to collapse, both US and Japanese investors might see dollar-denominated assets in a different light. And since markets have moved so much together this year, the US enthusiasm for foreign investment has not offered much diversification benefit. Enthusiasm may thus wane. It is noteworthy, too, that after the annualised $140bn inflow of foreign capital into the Tokyo equity market in the first quarter of 1994, the flow fell to $50bn a year in the second quarter.

What is reasonably certain is that the US current account deficit, which is still the biggest number influencing tha supply of dollars to the rest of the world, has peaked. Yet the behaviour of Japanese capital remains hard to predict. In due course cyclical economic factors will reassert their influence vis à vis long-term capital flows and the dollar will have its rebound. But the only safe short-term forecast is for further instability.

A grip on the Commission

This week Mr Jacques Santer faces the first big test of his leadership and deal-making skills since he was named as next president of the European Commission last summer. He has called a meeting of fellow commissioners on Saturday to settle the distribution of portfolios for the five-year term that begins in January. Baronial battles between commissioners with a particularly high esteem for their own abilities are in predictably full swing.

Completing the process this week matters less than getting these appointments right. The European Union faces a complex and contentious agenda, and the Commission has a vital role to play both in managing the changes now under way and in brokering the difficult trade-offs between member states likely to be necessary in the coming years. It needs to focus clearly on the weightiest tasks by placing them in the most capable hands. As important, Mr Santer – nobody's first choice for the job – needs to establish his own authority over the political agenda and over the Commission's internal workings.

In both spheres the need for action is urgent. The Commission in the dying months of Mr Jacques Delors's 10-year presidency presents a sorry spectacle: dogged by poor morale and petty in-fighting, its dealings with the member states hampered by mutual mistrust and legal disputes. In a whole range of policy areas – from state aids to industry through enforcement of agricultural reform to EU policy towards the Balkans – there is a damaging impression of drift. It is for Mr Santer to seize the initiative.

Substantial consensus

In one sense conditions are propitious for him to do so, for the current bickering between member states disguises the fact that there is a substantial consensus about two broad things the new Commission should be doing.

First, it should focus not on elaborating Delors-style grand visions or fighting turf wars with the Council but on using its substantial treaty powers to make the existing Union work. That means an enhanced effort to smooth out irregularities in the internal market, to ensure free and fair competition and to improve industrial competitiveness. It also means being realistic about what can be achieved at the 1996 Inter-Governmental Conference on institutional reform – an event which if mishandled could easily sidetrack the Union into acrimonious and futile constitutional wrangling.

Mr Santer should take particular care with the internal market portfolio, in which, regrettably, none of the Commission's heavyweights has thus far expressed interest. The lack of an aggressive Commission push on the single market has been the biggest disappointment of the past two years, and urgently needs redressing as the EU admits up to four more members and its core member states gear up for the third phase of monetary union. In no other area is there a bigger risk of the EU's losing credibility with its citizens or businesses.

Strategic priorities

Second, the Commission – already unwieldy with 17 members and about to become still more so with the addition of four more – should develop a clearer sense of strategic priorities than it has displayed of late, especially with regard to external relations. Mr Santer is right to judge that Mr Delors's division of external relations between a political portfolio (held by Mr Hans Van den Broek) and an economic one (Sir Leon Brittan) has not worked. He is also correct to want to take overall charge of external relations himself by chairing a Commission sub-group on the subject – not least because the most important issue in external policy, relations with central and eastern Europe, will have a profound influence on the Union itself in coming years.

Mr Santer's first task early next year will be to draw up a white paper on preparing the central and eastern Europeans for eventual EU membership. That will involve the entire Commission, not just the two men who are currently squabbling over the eastern Europe portfolio. And if it is wise, it will focus equal scrutiny on what the applicant countries need to do to prepare and on how the Union needs to adapt to admit them. That would be the most practical route-map to take the Union towards the millennium.

Alison Smith and Peter Marsh on a UK regulator's report which offers hope for victims of a pensions debacle

The high cost of bad advice

Alan Edge, an unemployed machine-tool fitter in Preston, Lancashire, would not normally pay much attention to the pronouncements of the Securities and Investments Board, the City's chief regulator.

But this week he is on alert for a potentially explosive report from the SIB setting out how tens of thousands of UK investors may be able to claim damages for having been poorly advised when they bought personal pensions. Even moderate estimates for the total compensation start at about £500m.

Mr Edge took out his personal pension in 1990 after losing his job at Leyland Bus, the vehicle company owned by Volvo of Sweden. He was persuaded to transfer a lump sum of £26,000 from the Leyland pension scheme to a new personal pension.

Mr Edge is unsure whether he made the right move – despite long discussions with the financial adviser who recommended the transfer and who has since assured him that the advice was good. Mr Edge, aged 52, plans to start drawing his pension in three years but is worried thet when he does so, the cash could be significantly less than if he had left the lump sum in the Leyland scheme.

"When I made the move, all tha pressure was on me to switch into a new pension; no one told me about the potential advantages of staying put," he said.

The SIB report, which will be published tomorrow, is expected to give Mr Edge the prospect that his case will be looked at again. The report, anxiously awaited by the retail financial services sector from the largest life insurers to the smallest independent financial advisers, will set out guidelines for compensating people who have been wrongly sold personal pensions.

"I've been in various financial crises, and I've never seen anything as messy or as big as this," one senior industry figure said.

It was late last year that a pilot study by accountancy firm KPMG Peat Marwick first raised the possibility that large numbers of people had been "mis-sold" personal pensions on transferring a lump sum from a former employer's scheme.

More than 500,000 pension transfers have been sold since they became available in 1988. The KPMG study suggested that in nine out of 10 cases, the recommendation to transfer to a personal pension had not been based on adequate information. Concern then spread to cases where people had opted out of an occupational scheme run by their employer to buy a personal pension.

The resulting widespread public concern about the standards of pension sales agents has led to a sharp drop in the sales of personal pensions. The life companies now also face higher costs in meeting the tougher regulatory standards – to prevent the "mis-selling" of pensions in the future – which the SIB announced in March.

However, it is the question of how to provide compensation for past mistakes, the subject of tomorrow's report, that most exercises life companies and advisers. Despite widespread consultation on its contents, there is likely to be opposition to the SIB's proposals, with at least one of the large life companies considering a legal challenge to test whether they are bound to comply with the regulator's proposals.

Life companies' concerns about what they expect from the SIB cover not only compensation payments but the process of spotting cases that should qualify for compensation. With cases of transfers out of former employers' pension schemes, the priority will be to review the cases of people who have already retired and those close to retirement. Others will be dealt with over a longer period.

The total compensation for transfer cases may not, however, be the industry's biggest problem. There are circumstances in which taking a pension transfer was the right thing to do. Even where financial advice was not valid, the compensation involved could be relatively small.

"In transfers, even where the decision was based on bad advice, the difference is fairly marginal," according to an industry expert.

The most contentious issues now surround what to do about pension opt-outs, where people taking out a personal pension might have done better in their employer's pension scheme.

One problem is identifying cases of "mis-selling" in such circumstances. The number is thought to be much smaller than the number of transfers, but they are hard to pick out from files which may not show whether someone buying a personal pension was eligible to join a company pension scheme.

The SIB is expected to say that all employed people who bought personal pensions since 1988 must be contacted, to see whether they were eligible for occupational pension scheme membership. This would be a massive and expensive exercise, particularly for individuals and companies which have poor records.

A second problem is definition. While someone who has left an employer's scheme to take a personal pension is clearly an "opt out", there are some personal pension holders who were – or would have become – eligible to join a company scheme. Whether a sales agent or adviser checked eligibility and advised staying out and taking a personal pension instead, could be decisive elements in assessing how much compensation should be paid.

Ms Susanne Long, a 30-year-old marketing manager at the UK subsidiary of US computer company International Business Machines, is a "non-joiner". She started a personal pension in 1989, even though she had the option of joining an occupational scheme with her employer. She is now claiming compensation from the life company, saying it should have told her then that a better choice would have heen to join the occupational scheme.

The compensation for such cases could be enormous where the person affected is still with the same employer. They would need enough mooey to match the lost pension rights and reflect benefits for future years' service.

On this issue, there is a crumb of comfort for the life companies. The National Association of Pension Funds is encouraging occupational schemes to allow people who have opted out to rejoin for future service. If this advice is followed, the life companies and advisers may still have to provide compensation to make up for the years missed. But they would not face the prospect of having to provide a defined set of benefits many years hence.

While the life companies are struggling with such identificatioo and compensation problems, the task may be almost impossible for thousands of small independent financial advisers.

Among regulators and the big life companies, there is an assumption that large numbers of small advisers, with few staff and relatively little capital, will be forced out of business by the task.

There is also the problem of dealing with pensions sold by independent advisers who no longer exist. A unit is being set up by the Personal Investment Authority, the watchdog to protect the private investor, to review such cases. The bill will bave to be picked up by the rest of the financial services sector, where those who have not sold pensions will resist attempts to involve them.

Even with the publication of the SIB report, the scale of pensions "mis-selling" will remain unknown. And it will take a long time for the industry and its customers to put the issue behind them.

"I am embarrassed by the episode," said a former marketing director who took a pension transfer which he now believes could need a large top-up. "I was greedy and took poor advice. I want the SIB report to outline a way I can back into my old scheme as quickly and as painlessly as possible."

Whatever the SIB says, the process is unlikely to be quick or painless enough for anyone involved.

Partnership can lead to social justice

PERSONAL VIEW

It is easy to dismiss notions of social justice as a smoke screen for government intervention, an excuse for politicians to meddle in things that do not concern them.

But as the Commission on Social Justice will emphasise today when we present our strategy for work and welfare, social justice cannot be divorced from economic prosperity.

The government has failed to realise this. It has followed the simple idea that the fewer the rules, the more prosperous we will be. Convinced that cheaper production is the key to competitiveness, it has single-mindedly set about destroying the laws and institutions that govern the market. As a result, the UK is spending more than £1bn a year supplementing low pay through family credit.

This obsessive pursuit of a low-skills, low-investmant strategy is doomed. Our future prosperity depends upon our ability to compete with high-skill economies rather than the low-wage economies of the developing and newly-industrialised nations.

Successful UK companies already know this. They attach great importance to teamwork and co-operation. They practise high standards of human relations, offer good wages, pensions and working conditions, provide clear and effective communication, long-term commitment and reasonable protection against redundancy. In return they expect and receive a high degree of commitment, and increased productivity, from their staff and suppliers.

But the workplace and the nature of work are changing. Traditional, low-skilled industries find it virtually impossible to compete with countries such as China where wages are as low as $1 a day.

Intelligent European businesses recognise that the only way forward is to invest in innovation and modern technology to create value-added products that are affordable. A massive change in the skills of the workforce is needed to succeed in making this transformation.

Business must also respond to the changes that have brought millions of women into the workplace and transformed family structures. We must welcome these changes and adapt to them rather than resist them. Working patterns must enable women and men to cope with the demands of the family.

Tha Commission has set ont recommendations to help business, individuals and government meet economic and social change head on.

People benefiting from higher education should contribute to learning costs

First wa need an education revolution to provide the basis for economic progress and social justice by opening up learning opportunities to peopla in and out of work. We cannot return to the era of jobs for life, but we can ensure that people remain employable. This requires commitment from employers and individuals. All but the very smallest employers should plough a minimum proportion of payroll back into training their workforces – the best already do. People benefiting from higher education must be prepared to contribute to learning costs. Wa suggest ways of harnessing funds from government, employers and learners to help expand education and training.

Second, life on the dole creates social division and economic waste. Uoemployment is now a spectre that haunts the Treasury and City institutions as much as shipyard workers on the Tyne. The aim must be to get people – especially long-term unemployed – off welfare and into work.

Tha Commission's strategy includes a modern, flexible social insurance system; benefit reforms to enable peopla to take np part-time work; support for the self-employed; and wage subsidies to get the long-term unemployed back into jobs.

Third, only through having loyal and committed workers can employers keep pace with competition. But employers must be prepared to show commitment in return. This means fair rewards through a carefully set minimum wage, recognising and accommodating family responsibilities, and reducing the segregation between men's and women's work.

The aspirations of the European Union's Social Chapter hold no fears for any responsible, progressive British company and the government should sign it.

The UK cannot hope to prosper if it continues along the road of mindless deregulation. Ours must be a future of investment and partnership: investment in people, communities and enterprise, and partnership between business, individuals, communities and government. As an industrialist, I cannot envisage sustained business success for any company that refuses to accept the responsibilities of partnership.

Christopher Haskins

The author is chairman of Northern Foods and a member of the Commission on Social Justice

OBSERVER

You just have to whistle

■ John Major's government presumably doesn't hope to win many hearts and minds at next weekend's Middle East economic conference in Casablanca.

The three-day conference – hosted by Morocco's King Hassan – gathers senior representatives from nearly 1,000 companies and top politicians. It's all about working out major projects for Middle East development.

Last week in London Israeli prime minister Yitzak Rabin let it be known he hoped for some heavy-hitting UK representation. So Britain is sending Douglas Hogg, minister of state at the Foreign Office.

That hasn't exactly delighted senior Moroccan officials, who reckon Hogg lacks the sort of clout they hoped to see from the UK. They wanted foreign secretary Douglas Hurd or Major himself.

They might have a point. After all, US secretary of state Warren Christopher, Russian foreign minister Andrei Kozyrev, Rabin and his foreign minister Shimon Peres are all planning to go along.

So too are Yassir Arafat, along with the assorted prime ministers of Italy, Spain, Portugal, France and – probably – German chancellor Helmut Kohl.

Perhaps Hogg is being groomed for greater things. Maybe Major and Hurd are terribly busy.

Of course, it's conceivable that Major has had enough of businessmen influencing politicians to last him a lifetime.

Dog days

■ Anyone want a diary? Each of the 567 members of the European parliament gets a free leather-bound diary and desk set. So why are more than 20,000 extra diaries produced? Also going spare are 1,500 leather pocket diaries, 18,000 plastic pocket diaries and 1,200 matching blotter sets.

Look to Italy for an answer, where a £190,000 bulk purchase – including 1,200 large desk diaries in blue calf leather, with the 12 gold stars symbolising the EU embossed on the cover – has just been made. In other words, national taxpayers are subsidising MEPs' gifts to friends and relatives.

Every dog has his day.

Endangered

■ Another US stereotype bites the dust. It's incorrectly thought by some that the Washington Post automatically endorses Democratic candidates. In fact, it occasionally blesses a moderate Republican or two in its suburban hinterland, like Connie Morella from Maryland, who on four occasions has received the newspaper's seal of approval.

But for the Post, with its great liberal Democratic traditions, to opt for a Republican on its home turf takes a bit of doing. Step forward Marion Barry, Democrat candidate for mayor. The Post has now formally endorsed his Republican opponent, Carol Schwartz, in next month's election.

Close observers of the Post have long thought that Donald Graham, publisher, and Len Downie, editor, have had enough of Barry, now claiming "personal redemption" and seeking a fourth term, after being being confined on a cocaine conviction to a federal prison.

The opening sentence of its lead editorial endorsing Schwartz even ate some humble pie. "In 1986, in an editorial we wish we could take back, this newspaper endorsed Marion Barry for a third term as mayor," it said – and then went on to blame him for fiscal and social policy mismanagement on a grand scale.

But does the Post's endorsement help or hinder? The Morella campaign thought it crucial to her first election in 1986, though it didn't help John Ray, defeated by Barry in September's Democratic primary. Though in a city where Republicans are an endangered species, Schwartz is unlikely to complain.

'Port out, starboard home'

Skin graft

■ Analysts in Germany are sensing the need to develop thick skins. No sooner had the stock market absorbed the result of last week's narrow election victory by chancellor Helmut Kohl's coalition, than a Deutsche Bank analysts' team in Düsseldorf recommended a sell for German shares. They suggested the government was too weak and the political climate was moving leftwards.

This was too much for the bank's bosses in Frankfurt. They took the highly unusual step of distancing themselves from the views of the Düsseldorf analysts, saying they did not reflect the bank's opinions.

Down in Munich, another analyst, from Bayerische Vereinsbank, has received a taste of corporate spleen from Computer 2000, the German computer dealer. It took exception to a study it thought too short-term in outlook and publicly castigated the conclusions of "a young analyst". What's youth got to do with it?

Dear John

■ In philanthropic mood, Observer offers the following advice to John Major in his aim of cleansing government. Send the following round-robin letter to all Tory MPs. It's modelled on that sent to Tim Smith, accepting his resignation from the Northern Ireland office. Recipients with easy consciences could return it with the blanks unfilled.

Dear X,

I understand you may have had a relationship with —— in the 1980s. At the risk of being obvious, was it something you are now a little shamefaced about? Did you manage completely to cover your tracks?

If not, it will be no good going to the cabinet secretary and mumbling something along the lines of: "Well, everyone else was doing it."

Please assist by tendering your resignation if you think anyone might get whiff of something nasty.

I will, of course, regret your leaving because of the excellent beginning you have made in ——.

Still, if we're to have a snowball's chance in hell of winning the next election you had better push off. Sharpish.

Yours ever,
John.

FINANCIAL TIMES
Monday October 24 1994

Market fears mid-term elections will delay Fed raising interest rates

Dollar faces renewed pressure as concerns on inflation rise

By Philip Coggan in London

The dollar may come under further pressure this week after reaching a post-war low against the yen in Friday's Asian trading.

The main obstacle for the US currency appears to be lack of investor confidence in the ability of US monetary authorities to act quickly enough to control inflationary pressures.

Mr Avinash Persaud, currency strategist at J. P. Morgan, the investment bank, in London, said: "There are clear signals that the US economy is growing faster than its long-term trend, while real [inflation-adjusted] interest rates are below their trend."

With US mid-term elections due on November 8, traders expect the Federal Reserve to wait until its next open-market committee meeting on November 15 before raising rates. "The market has taken the view that the Fed is leaving it too late if it waits," said Mr Steve Hannah, head of research at IBJ International, the Japanese bank.

Even if the Fed does increase rates by half a percentage point in November, analysts fear that may not be enough. "There is a growing perception that we may need two further Fed increases before the end of the year," Mr Hannah said.

The Fed has so far pushed through five rate increases this year, taking the Fed funds rate from 3 per cent to 4.75 per cent.

The possibility of central bank intervention to support the dollar last week prompted apparently conflicting remarks from Mr Lloyd Bentsen, Treasury secretary, and Mr Lawrence Summers, the Treasury's under-secretary of international affairs. But such interventions have often failed in the past, and Mr Hannah said: "Intervention could be counter-productive, since half-hearted intervention would be worse than no intervention at all."

The major leading economic statistic of the week – US third-quarter gross domestic product growth – will not be published until Friday. Mr Nick Parsons, chief economist in London with the Canadian Imperial Bank of Commerce, said: "If the dollar is to stabilise, it has the chance to do so in this data vacuum."

The dollar closed in New York on Friday at Y97.235 and DM1.50025, having earlier touched Y96.5 and DM1.4880 in Tokyo. The US currency's recent weakness has depressed other US financial markets, with the 30-year Treasury bond yield briefly pushing through 8 per cent on Friday.

See Lex; Editorial Comment, Page 19; Market focus, Page 25; Currencies, Page 31

EU delay

Continued from Page 1

which have expressed concern at delays in tackling the practical aspects of Emu, would be reassured.

Mr Lamfalussy said the process of adaptation would be fostered if the individual EU currencies were made legal tender in all the countries of the union in the early stages of a phased introduction of a single currency.

He said the phased approach to stage three was not specifically his idea, but was being discussed among officials preparing for Emu and was compatible with the Maastricht treaty.

Mr Lamfalussy said that his institute, which has been in temporary premises in Basle, Switzerland, would begin work in its new headquarters in Frankfurt, Germany, next month. The EMI would then concentrate on fostering co-operation among EU central banks and preparing the planned European central bank (ECB) so that the ECB could begin operating once political agreement has been reached to complete Emu.

Mr Lamfalussy said he did not expect stage three to begin as soon as 1997, the earliest date envisaged in the Maastricht Treaty.

Dubbing actors strike for a slice more of the action

By John Ridding in Paris

Talk is cheap. Too cheap, claim the actors who dub foreign films and television programmes for French audiences.

Actors belonging to the three unions which represent France's dubbing artists have been on strike since Tuesday. They want recognition of their intellectual property rights which, they believe, entitle them to payments for repeats and reissues of films, television series and videos.

The stoppage threatens television and film companies and at least one major film, Kenneth Branagh's *Frankenstein*, faces a potentially serious hitch in its preparations for the French market. "The unions are holding us hostage," said one official of the Chambre de Doublage et de la Synchronisation, the industry association for France's dubbing companies.

All is not lost. A meeting tomorrow between union members, film and television companies and the industry body, is aimed at resolving disagreements and restoring the voices to foreign television stars and *Frankenstein*.

But the various parties will have to solve a complex and protracted dispute. The actors claim that a law passed in 1985, which took effect in 1986, upholds their intellectual property rights and entitles them to be consulted and remunerated before their work is re-broadcast or re-sold.

"We own our interpretation of a role," said Mr Jimmy Shuman, an actor and a member of the Syndicat Français des Artistes-Interprètes, one of the actors' unions. He claims that a new collective agreement between the actors and the dubbing companies, signed in April, allowed for negotiations on additional payments for re-broadcasts. The failure to arrange negotiations and the "ambiguous response" from management and industry companies forced the industrial action, Mr Shuman said.

The dubbing companies and their clients have been taken by surprise. "We were not expecting a strike," said Mr Jacques Orth, president of the Chambre Syndicale. He denied that actors had an automatic right to repeat fees, and said that the complex legal issues about property rights needed government clarification.

Mr Orth believes the current stoppage could be damaging for the French dubbing industry. "Major film companies will be tempted to go elsewhere, maybe to Belgium, Switzerland or even Britain." The unions respond that this possibility is blocked by a decree that non-European films must be dubbed in France for the domestic market.

If the legal arguments are unclear, so are the financial implications. Neither the companies nor the unions have sought to quantify the potential costs, although some artists could have much to gain. "If you take the case of the guy who did Hutch, in *Starsky & Hutch*, then his work has been repeated eight times," one union member said.

But the stoppage may harden the attitudes of the dubbers. As one actor put it: "With people staying at home, many will see their work being re-broadcast on TV, reminding them of the money they are losing out on."

Greek socialists suffer poll setback

By Kerin Hope in Athens

The conservative candidate for mayor of Athens, Mr Dimitris Avramopoulos, yesterday inflicted a humiliating defeat on Mr Theodoros Pangalos, a former European affairs minister who was standing for the governing Panhellenic Socialist Movement (Pasok).

Mr Pangalos conceded defeat shortly after the polls closed, when computer projections indicated Mr Avramopoulos, a former diplomat who entered politics only a year ago, would win with 55.1 per cent of the vote.

Mr Pangalos claimed Athens had "lost an historic opportunity" in Greece's nationwide local elections because left-wing Athenians failed to back him in the yesterday's crucial second round of voting. But he said he would lead a citizens' movement to improve the quality of life in the city.

The Athens result reflected voter dissatisfaction with Pasok's restrictive economic policies since its return to power in 1993, but was also a protest against Mr Pangalos' campaigning style.

Mr Pangalos, known for his outspoken comments about other politicians, appeared to have turned undecided voters against him because of repeated personal attacks on Mr Avramopoulos.

His defeat may also have an impact on his chances of succeeding Prime Minister Andreas Papandreou as Pasok leader. The leadership struggle is intensifying, with Mr Papandreou expected to stand down as premier in order to run for the Greek presidency next spring.

Mr Avramopoulos is a member of the opposition New Democracy party and his victory in Athens gives the party control of Greece's two largest cities as Mr Constantine Kosmopoulos, mayor of Thessaloniki, was re-elected in the first-round vote of the country's local government elections a week earlier.

However, Mr Spyros Logothetis, the Pasok candidate, appeared set to win second-round voting yesterday in Athens' port of Piraeus.

First returns also showed Pasok doing well in second-round voting in the countryside and for provincial governors.

FT WEATHER GUIDE

Europe today

The Alps, Italy, Greece, the Balkan states and western Turkey will have heavy rain with thunder in places.

Spain and the western Mediterranean will have clear periods and only occasional showers. Later in the day, heavy rain will arrive in Portugal from the west.

The British Isles, the Low countries, France and Germany will be cloudy but with sunny periods and a few showers.

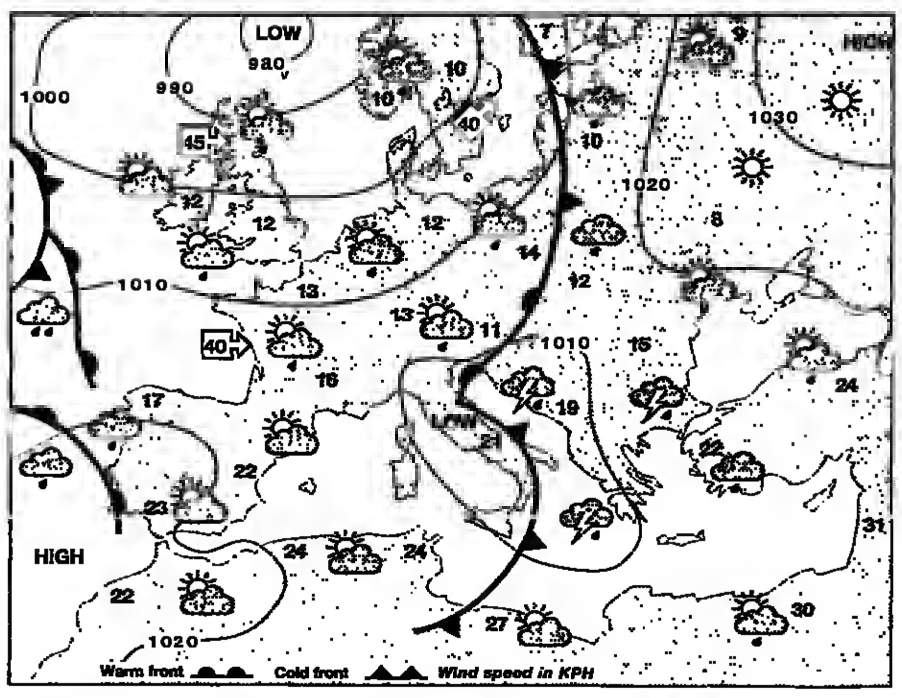
Showers will be more widespread over northern Europe. Norway and Sweden will have many showers, while Finland will be cloudy with outbreaks of rain.

North-western Russia will be sunny because of a strong high pressure area.

Five-day forecast

Most of Europe will be very wet. Several active low pressure systems will move through western Europe, each causing outbreaks of rain. Along the coasts, it will be windy.

South-eastern Europe will continue to be very wet, and towards the end of the week there will be heavy rain over a large area, stretching from the Alps into southern Italy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	cloudy	31
Algiers	fair	24
Amsterdam	shower	13
Athens	shower	24
Atlanta	fair	22
B. Aires	drzzl	20
B.ham	shower	12
Bangkok	fair	32
Barcelona	fair	20
Beijing	sun	19
Belfast	shower	11
Belgrade	shower	18
Berlin	fair	14
Bermuda	fair	27
Bogota	hazy	21
Bombay	sun	34
Brussels	shower	13
Budapest	cloudy	15
C.hagen	shower	11
Cairo	cloudy	34
Cape Town	fair	22
Caracas	thund	31
Cardiff	shower	13
Casablanca	sun	22
Chicago	thund	12
Cologne	shower	13
Dakar	cloudy	30
Dallas	thund	25
Delhi	sun	32
Dubai	sun	33
Dublin	fair	11
Dubrovnik	shower	21
Edinburgh	shower	12
Faro	shower	22
Frankfurt	fair	13
Geneva	fair	14
Gibraltar	shower	22
Glasgow	shower	12
Hamburg	shower	12
Helsinki	shower	7
Hong Kong	sun	25
Honolulu	sun	30
Istanbul	thund	21
Jakarta	fair	32
Jersey	shower	16
Karachi	sun	38
Kuwait	sun	31
L. Angeles	fair	22
Las Palmas	sun	26
Lima	cloudy	21
Lisbon	shower	20
London	fair	13
Lux.bourg	shower	11
Lyon	fair	15
Madeira	fair	24
Madrid	fair	17
Majorca	fair	22
Malta	shower	24
Manchester	shower	12
Manila	thund	31
Melbourne	cloudy	25
Mexico City	fair	24
Miami	fair	30
Milan	shower	19
Montreal	shower	6
Moscow	fair	9
Munich	shower	12
Nairobi	thund	26
Naples	shower	21
Nassau	fair	31
New York	sun	18
Nice	fair	19
Nicosia	shower	27
Oslo	shower	9
Paris	shower	14
Perth	fair	22
Prague	fair	13
Rangoon	cloudy	30
Reykjavik	shower	4
Rio	thund	26
Rome	shower	22
S. Frsco	fair	19
Seoul	sun	18
Singapore	thund	31
Stockholm	shower	12
Strasbourg	shower	14
Sydney	sun	24
Tangier	fair	21
Tel Aviv	fair	32
Tokyo	fair	19
Toronto	rain	7
Vancouver	rain	16
Venice	shower	17
Vienna	shower	11
Warsaw	cloudy	12
Washington	sun	21
Wellington	rain	15
Winnipeg	sun	5
Zurich	fair	11

THE LEX COLUMN

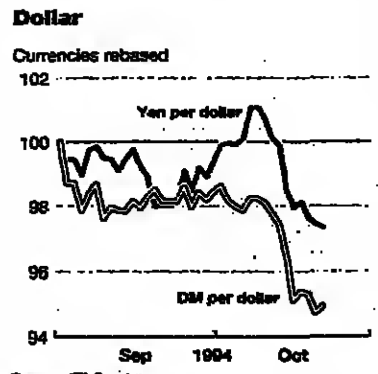
Dollar doldrums

Remarks on Friday by a US Treasury official suggesting that the administration would be prepared to intervene in currency markets brought a brief respite for the dollar. But the currency is still in a sick condition – only a touch above its post-war low against the yen and two-year low against the D-Mark. The market remains concerned that the Federal Reserve has not taken strong enough action to control incipient inflation. Until overseas investors are convinced that the Fed is on top of the problem, they will have no incentive to switch into dollar assets.

Further talking up of the currency by Treasury officials would achieve little. Even buying dollars in the market would have only a temporary impact. In the circumstances, it is not surprising that Japan, whose exporters are suffering from the high yen, has called for joint intervention by the Group of Seven. Such a co-ordinated defence of the dollar might have some effect. But it is unlikely to materialise since the Bundesbank is happy with a strong D-Mark which helps control German inflation.

Further interest rate rises by the Fed are therefore the only real option. Given that a half-point rise has already been discounted, a full percentage point increase would be needed to change market sentiment. The US may not worry much about the dollar *per se* because trade makes up a relatively small portion of its economy. But it cannot ignore the impact on Treasury bond yields which are back at 8 per cent. Nor should it ignore the message that the currency markets are telling about US inflation.

Dollar



Source: FT Graphite

Japanese equities

Following the flop of Japan Tobacco's privatisation, the country's finance ministry has finally got the message: its system for floating companies is flawed. The method has a bias which means new issues are typically sold at artificially high prices. So long as investors were willing to pay over the odds, high prices from privatisations suited the ministry. Shareholders might suffer large capital losses – as in last year's JR East privatisation – but the ministry raked in extra funds.

Japan Tobacco was different. Small shareholders rebelled at the high price and more than 40 per cent of the issue was left unsold. Those who did buy are likely to be rewarded by a sharp decline in the share price when trading starts this week. But the ministry has also suffered because the issue brought in much less than hoped. More important, the government must realise there is little chance of drumming up investor interest for issues such as West Japan Railway and the next tranche of NTT so long as the current system remains in place.

The method's main flaw is that the issue price is determined by an auction for only a third of the available stock. This auction draws in the biggest and most enthusiastic investors with the result that the price picked is likely to exaggerate what shareholders are prepared to pay for the whole issue. Friday's announcement of a review by the finance minister is therefore welcome. If Tokyo switches to some version of the "book-building" process common in global markets, it will be doing not only investors but itself a favour.

UK accounting

There is no doubt that the Accounting Standards Board has done much to tackle the accounting abuses which corroded UK financial reporting in the 1990s. But while its attempts to crack down on issues as various as acquisition accounting and off-balance sheet finance can only be applauded, the new rules have introduced fresh complexities.

The FRS3, for example, has obliged companies to provide on the face of the profit and loss account information which in the past would have been relegated to the notes, or not published at all. This gives observers a better insight into how and where a company is generating its profits. But the price of further detail can be confusion. The rules allow companies to highlight the most favourable way of presenting earnings. This has already spawned a bewildering variety of approaches, as shown by Ernst & Young's compendious review of UK accounting published today. Unsurprisingly, companies tend to highlight earnings before exceptional costs. It is true that the details of what constitutes an exceptional item are disclosed. But the investor is presented with at least two versions of the "bottom line" – the official one and the management's self-flattering version.

Analysts will carry on seeking the holy grail of yardsticks which give a good indication of a company's maintainable earnings and which are comparable from one company to the next. But investors should remember that attempts to boil down a company's performance to a few key statistics are simplistic.

Depositary Receipts

One of the fastest growing businesses for London-based investment banks has passed a small milestone. Tuesday marked the start of trading in the first Global Depositary Receipts listed on the London Stock Exchange. GDRs are negotiable certificates representing shares traded on exchanges not easily accessible to foreign investors. By issuing shares in GDR form, tradeable in major financial centres, the sponsor can offer the liquidity that foreign institutions need.

Although smaller than the long-established American Depositary Receipts market, the less demanding listing requirements for GDRs provide a cheap and easy way to tap international investors and have proved increasingly popular with emerging economy companies. Since the first GDRs were issued in 1990, more than 100 companies, a third of them Indian, have raised a total of over $10bn. Last week's issue sponsored by Merrill Lynch was fairly typical, raising $40m for India's second largest hotels group, East India Hotels.

Much of the business is done from London, with Goldman Sachs and Robert Fleming the leading sponsors, and 90 depositary receipts are already traded via SEAQ International. But they have until now been listed on the Luxembourg Stock Exchange. In August, the London Stock Exchange changed its rules to allow GDRs to be listed. The move, part of the London exchange's campaign to attract more international companies, is to be welcomed, though it is odd it has taken four years.

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MARKETS THIS WEEK

JOHN PLENDER:
GLOBAL INVESTOR
Proponents of modern portfolio theory say international diversification offers the nearest thing in the investment world to a free lunch. The essence of the diversification argument lies in the notion that price movements in foreign markets are not closely correlated to price movements at home. Yet in practice world bond markets have been relatively closely correlated for many years. **Page 24**

STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
One of the main aims of the Social Justice Commission, whose final report is out today, was to explain why certain groups in the UK are not working, and suggest ways to help them to get jobs. But there is another puzzle: why are others, especially in non-manual jobs, working harder? **Page 24**

BONDS:
Following Germany's elections last week, political risk has migrated across the Rhine to France, where it is spooking bond and currency markets as the presidential elections loom. **Page 26**

EQUITIES:
The US reporting season thus far has produced more pleasant surprises than disappointments. But in London, and other European markets, the new problem is the US dollar. **Page 28**

EMERGING MARKETS:
The Thai bond market may be poised to become one of Asia's fastest growing debt markets – perhaps even emulating the extraordinary rise of the Bangkok stock market over the past decade. **Page 25**

CURRENCIES:
Foreign exchange traders will face a familiar challenge at the start of the week: whither the dollar? **Page 25**

COMMODITIES:
When the US aluminium industry began organising its first international conference and exposition last year its mood was close to suicidal; How quickly the mood has changed. **Page 24**

INTERNATIONAL COMPANIES:
Singapore Airlines (SIA), the world's most profitable airline last year, confirmed the financial recovery in the airline industry by reporting a 20 per cent rise in group operating profits to S$478m (US$322m) for the half-year to September. **Page 23**

UK COMPANIES:
Ushers, the brewer and pub chain, is planning to come to the market next month. The group is expected to have a market value of more than £100m ($160m). **Page 22**

STATISTICS

Czech government asks German carmaker to amend plans to scale down production

VW eases concern on Skoda cuts

By Joe Cook in Prague and Andrew Fisher in Frankfurt

Volkswagen, the German motor group, has moved to calm Czech anger over the scaling down of its production targets for the Skoda carmaker by promising to meet some of the Prague government's objections.

VW and the Czech government said yesterday they were confident that talks over the German group's revised plans for Skoda, based north of Prague, could be concluded this year. The statement came after Mr Ferdinand Piëch, VW's chairman, met Mr Vladimir Dlouhy, the Czech industry and trade minister, in Prague on Saturday.

The government is mainly concerned about VW's decision to scale down annual production from a previous target of 400,000 cars to 300,000 cars by the year 2000. Although VW gave no details of the meeting, it is understood the extent of the scale-down may be reduced in line with Czech objections.

The two sides said further talks would be held on amending VW's original plans. VW owns 31 per cent of Skoda, scheduled to rise to 50.5 per cent this year.

Under a 1991 agreement, VW is due to increase its stake in Skoda to 70 per cent by the end of 1995 at a total cost of DM1.4bn ($936m) – the biggest foreign investment in the Czech Republic. VW promised to invest a further DM6.8bn over 10 years in Skoda to introduce new models, double production to 400,000 cars by 2000 and build a plant to produce 400,000 engines a year, half for other VW subsidiaries.

But because of losses at Seat, its Spanish subsidiary, VW said the proposed engine plant was no longer feasible and it would cut investment to DM3.75bn. Mr Dlouhy suggested that the German company had violated the spirit of the contract and said he would seek an amendment which would require VW to fulfil its promise.

Mr Dlouhy said before the meeting with Mr Piëch that he expected by the end of October to sign "a amendment to the contract that will put VW and the Czech government on an even footing". The talks come a week after 10,000 workers at Skoda's factory in Mlada Boleslav, north of Prague, staged a one-hour strike over plans to make 855 employees redundant, and days before the company launches its new Felicia car, Skoda's first new product since 1988.

Also under discussion will be VW's plans to import engines for some versions of the Felicia and to put employees of Skoda parts suppliers on its assembly lines. Mr Jan Uhlir, who as chairman of the Kovo Trade Union which represents most of Skoda's 17,000 workers, has been in talks with the Skoda-VW management.

US's Prudential seeks change of fortune with appointment from outside, writes **Richard Waters**

Nagging headaches smite financial giant

Prudential Insurance Co of America has been going through a decidedly rocky patch of late.

It is the US's biggest life insurance company, the second largest mortgage lender and one of the leading managed healthcare groups. It owns a stockbroking firm (Prudential Securities), a reinsurance company (Prudential Re), and a growing credit card and lending business. With assets of $50bn, it is also probably the leading insurance group in the mutual fund industry (though it is still only a quarter the size of Fidelity Investments).

In all, the Prudential, which is unrelated to the UK insurance group of the same name, has $218bn of assets on its balance sheet and manages another $155bn for pension funds, mutual fund investors and others.

Yet this market clout and a powerful capital base ($10.7bn at the end of last year) has generated erratic and disappointing earnings. Post-tax return on capital was only around 5 per cent in each of the past two years. This year, the Prudential may end up with a loss. Also, the company's credit standing has been slipping. At the beginning of 1992, it had a top AAA-rating: now, after two downgrades, it lost some of its gold-plated shine.

Had it been a public company, shareholders would have had something to say about this. As it is, the company is a mutual, owned by its policyholders.

Now though, the company's own board of directors has decided it is time for a change. Mr Robert Winters, the actuary who has been the group's chairman and chief executive since 1988, will retire on December 1. Into his place will step Mr Arthur Ryan, president of New York banking group Chase Manhattan – the first person from outside the company (let alone the insurance industry) to get the top job.

Although Mr Winters said as long ago as 1988 that he planned to retire early, Prudential's recent traumas appear to have precipitated his departure. "It wasn't a surprise that he was going. What is more of a surprise is the timing and the short transition," said Mr Michael Albanese, an analyst at AM Best, the US insurance rating agency.

Mr Ryan himself will only say: "I think the board knew he wanted to retire and decided it was a good opportunity to look around" for a replacement.

The choice of a banker in part reflects the Prudential's push into a broader range of financial services during the 1980s. But this diversification is also at the root of its problems. "The complexity of the company has outrun the ability of management to run it. They haven't grown with the business," says one person close to the company.

Three issues have cast a cloud. Foremost has been the investment scandal at Prudential Securities, the stockbroker bought in 1981. During the 1980s, the company's brokers promoted $8bn of risky property and energy investments as though they were safe, and the parent company's impregnable image helped sell the investments. The total cost of settling claims may top $1bn (roughly the amount the group has set aside in provisions). Long-term, the episode could impair Prudential's image, which has taken 119 years to build.

Second on Prudential's list of headaches have been the US property/casualty and reinsurance businesses. Hurricane Andrew, which devastated the Florida coastline in 1991, cost Prudential $1bn and its AAA rating. Like other US insurers, the Prudential has set a high priority on limiting its exposure to such catastrophe losses: it is now pulling back from the property/casualty business, and plans to float its reinsurance arm.

Third, the group continues to struggle with a balance sheet weighed down with underperforming property investments. Its $27.5bn of commercial property and mortgages at the end of 1992 made it one of the biggest private property owners in the world. In September 1993, underperforming property assets amounted to 30 per cent of its huge capital base.

There is a belief in the investment community that not all potential losses in Prudential's property portfolio have been provided for. "If they had to mark the portfolio to market, there would be some big hits there," says one person with knowledge of the assets.

As an insurer, with liabilities stretching years into the future, the Prudential is not obliged to recognise losses that a company with a shorter-term liability structure – a bank, for instance – would have to report. "Unless there's a permanent impairment [to the value of a property], a life insurer really doesn't have to provide," says Mr Chester Murray, director of life insurance ratings at Moody's.

On top of all this, the Prudential is looking at a cyclical downturn in some of the biggest parts of its business. Mortgage lending has tailed off this year as US interest rates have risen. Stockbrokers are feeling the pain that comes with the end of a bull run in securities markets.

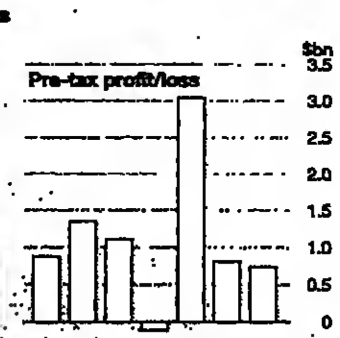
Although the company publishes only a brief annual summary of its financial condition, rating agencies, big creditors and others receive a more detailed quarterly report. "This year, results have been very disappointing," says Mr Albanese.

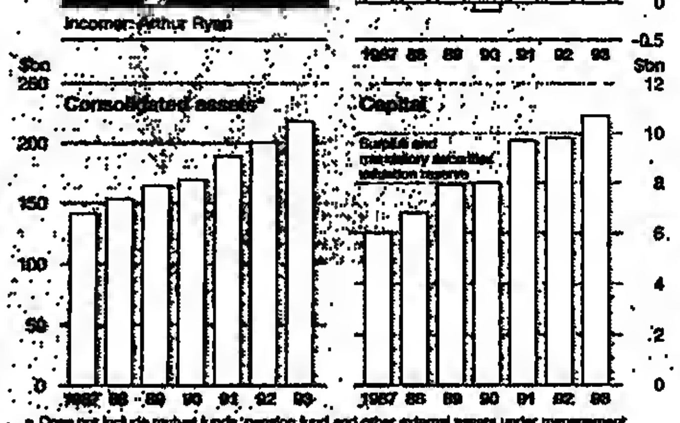
Mr Ryan's first actions are expected to be the appointment of a strong chief financial officer (a job which has lain vacant) and the imposition of greater operational and cost control on Prudential's disparate businesses. "They'll have to compete more and more on costs," says Mr Murray, pointing out that life insurers now have to fight for investment business with banks, mutual fund groups and others.

Mr Ryan's longer-term challenge, though, will be to decide just how many businesses Prudential can manage successfully.

New blood to stir up profits

Incomer: Arthur Ryan





* Does not include mutual funds, pension fund and other external assets under management. At the end of 1993, these stood at $155bn

Chicago exchanges may obtain limited exemptions

By Laurie Morse in Chicago

The US Commodity Futures Trading Commission (CFTC) will today rule on applications by Chicago's two big futures exchanges for exemption from many of the regulations that have governed the country's listed derivatives markets.

The Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME) are seeking the same regulatory treatment for some exchange-listed contracts as already exists in the over-the-counter market.

They argue that regulations, designed to protect individual rather than corporate traders, make them increasingly uncompetitive against foreign exchanges and the OTC market.

The exchanges' proposals would create two-tiered markets that would free institutional, or "professional" traders from many of the rules governing an exchange's retail customers. It is also a politically sensitive issue, with regulators and some politicians believing there should be further scrutiny of rules governing derivatives trading.

The CFTC is today expected to offer the exchanges an opportunity to try the requested exemptions on a limited basis for a few products, and will ask for further public comment on this pilot programme.

The "test" plan is likely to favour the CME, which is seeking regulatory exemption only for its currency products known as "rolling spot" futures.

The CBOT has asked the agency for a broad exemption for any products traded on any US exchange which would be used primarily by institutional traders. A narrower programme would force the exchange to define its plans more closely.

The exchanges' proposals, submitted 18 months ago, have languished at the CFTC after drawing fire from powerful opponents. The Federal Reserve wrote to the CFTC in February saying exemptions might bring the exchanges' financial integrity into question. "A broad exemption from regulation for a wholesale exchange does not appear to be appropriate at the present time," it said. The US Treasury and the Securities and Exchange Commission oppose the proposals, and even allies, such as the Futures Industry Association, have urged caution.

This week: Company news

FORD

Last of the big three carmakers needs better ride

After the third-quarter earnings surprises sprung in recent days by Chrysler and General Motors, what are investors to expect from Ford Motor, the last of the three US carmakers to report results?

Chrysler's surge in profits may have confirmed the strength of the North American car and truck markets, but General Motors proved that the path to recovery can still be a difficult one.

Ford's results, due on Wednesday, are likely to reflect a far smoother ride in North America than GM, which has suffered from strikes, production delays and soaring costs.

Ford's European turnround, however, may have lost steam after a strong second quarter, with a weak UK sales season largely to blame.

The company's earnings per share are expected to be in the range of 65-70 cents, down from 79 cents a year ago (though earnings in the 1993 quarter benefited from tax changes, which added 28 cents a share).

UNITED AIRLINES

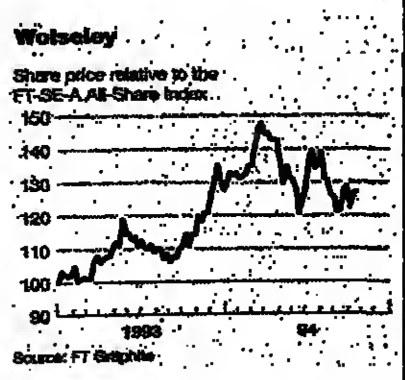
US airlines on a roll after cost-cutting

The big US airlines are on a roll, and United is the biggest of them all. Last week, American Airlines and Northwest Airlines both reported their best quarterly figures for years. One reason was buoyant demand, but a more significant factor was their success in reducing costs.

Earlier this year United gave workers a 55 per cent stake in the company in return for $4.9bn worth of wage cuts and other concessions.

It may be too early for much of this to have shown through in the third quarter, but other cost-cutting measures should help produce a good result. The consensus forecast for earnings per share is $5.72.

Wolseley



Source: FT Graphite

WOLSELEY

Past successes lead to high expectations

Wolseley, the world's biggest distributor of heating and plumbing products, is expected to report yet another year of record profits tomorrow.

Forecasts range between £185m and more than £200m ($316m) for the year to the end of July. The company has a history of exceeding expectations after talking itself down. Last year it came in with £121.1m when analysts had pencilled in between £110m and £115m. But this year analysts expect the results to be more in line with their expectations, which could tell against it. The results might be good, but the shares could still slip if they do not top forecasts by 10 to 20 per cent.

The improvement for the year will come from acquisitions and good organic growth in the US and the UK.

A strong contribution is expected from Erb Lumber, the US distributor of lumber and associated products bought for £51.1m last August, and the first full year of Enertech, the Swedish oil and gas burner manufacturer.

The company has continued with acquisitions, paying £56.9m for the OAG Group, the biggest distributor of plumbing supplies in Austria, in April and £28m for Calumet Holdings of the US in June.

Investors are likely to question succession at Wolseley as Mr Jeremy Lancaster, the chairman and managing director, is nearing 60.

OTHER COMPANIES

Accor under scrutiny after defeat by Forte

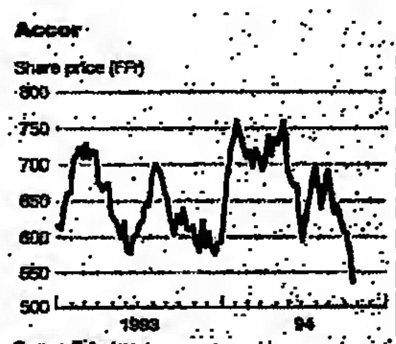
■ **Accor:** The French hotels and travel services group, is due to report a loss when it gives first-half results on Wednesday. The result will reflect the lack of exceptional gains from asset disposals which boosted last year's figures. Analysts say they will be looking at Accor's strategy for its Sofitel luxury hotels following its defeat by Forte of the UK for control of Air France's Meridien hotels chain.

■ **Matsushita:** The electronic goods manufacturer, announces its mid-year results tomorrow. While sales of audio-visual equipment are still largely in the doldrums, the company has benefited from the popularity of wide-screen televisions and information equipment, such as cellular phones.

■ **Fujitsu:** The semiconductor and computer maker's mid-term results are expected to be better than initially expected when they are reported on Thursday. The company saw strong demand for memory chips, particularly from US computer makers, as they shift to more powerful machines to run new Windows software. Fujitsu is also likely to have seen buoyant demand for its PCs and workstations in Japan.

■ **Imperial Chemical Industries:** Followers of the chemicals sector will be scrutinising ICI's third-quarter results on Thursday for evidence that prices of commodity chemicals are recovering rapidly. The company should show a pre-tax profit comfortably over £125m ($198m), compared with last year's £73m.

Accor



Source: Datastream

■ **Mediobanca:** The Italian merchant bank holds its annual meeting on Friday at which shareholders will vote on allowing the bank to relaunch an issue of new shares and warrants, postponed in June because of adverse market conditions.

■ **Japan Airlines:** The Japanese airline will release its interim earnings this Friday. Although the company has not forecast official figures for the first six months to September, analysts expect an improvement in operational profits thanks to cost-cutting efforts and the return of business-class passengers. From this interim, companies are required to disclose unrealised losses on foreign exchange trading, and the company's losses could be up to Y45bn ($464m).

Companies in this issue

Ushers for the market with £100m valuation

By David Blackwell

Usbers, the Wiltshire-based brewer and pub chain, is planning to come to the market next month.

The group, whicb is expected to have a market value of more than £100m, plans to raise enough money to clear its senior debt of £35m and have some over for further expansion.

Ushers brewery in Trowbridge dates back to 1824, but the current company was formed only in 1991 following the Beer Orders, which obliged the industry to reduce the number of their tied houses.

The brewery and an unrelated estate of 433 pnbs in south-west England and south Wales were acquired through a £71m management buy-in from Courage.

Mr Roger Nortb, chief executive and former managing director of GrandMet brewing, said the group had paid off £15m of debt in its three years of existence, and had invested £13m in taking the number of pubs to 470, as well as modernising the brewery.

The results are due at the end of this month. Last year operating profits were £13.4m on turnover of £48.8m.

Mr North said that the debt was structured in such a way that the interest could not fall below 11 per cent.

The brewery is making 300,000 barrels of beer a year, using 24 hour shift working to meet demand. Of this 200,000 barrels are under contract to Courage – a figure that will fall by two-thirds in 1996.

The group is confident that it will be able to make up the shortfall with work for other brewers and for the multiple retailers.

Sponsor will be NatWest Markets Corporate Finance, and broker NatWest Wood Mackenzie.

Hydro International to float

By Andrew Baxter

Where there's muck ... Hydro International, a market leader in using "vortex technology" for low-cost storm control and sewage treatment, is going public next month through a £4m placing and full listing.

After 14 years of battling to win acceptance for its technology, the Clevedon, Avon-based concern sees opportunities to accelerate its growtb through international expansion and development of new markets.

Hydro's products use a vortex – a kind of whirlpool effect which can be harnessed to regulate fluid flows – for two main product ranges, flow control valves for flood protection and storm control, and bydro dynamic separators, for separating solids from liquids, especially in the treatment of sewage and other waste water.

The company is boping to benefit from recent environmental legislation demanding sharp reductions in the level of pollutants that can be discharged into seas, lakes, rivers and other water courses.

Mr Tim Lamb, managing director, said about 35 per cent of the £24bn expected to be spent by the UK water and sewage industry np to 2005 is in areas in which the company operates.

Hydro had sales last year of £4.1m and pre-tax profits of £156,000, expected to rise this year to about £5m and £400,000 respectively. Profits may dip next year because of research and development spending, Mr Lamb said.

After the placing, which is being handled by Allied Provincial, about 30 per cent of Hydro's shares will be in public hands.

JJB resumes plans for listing

By Christopher Price

JJB (Sports), the UK's largest independent sports retailer, whicb postponed a summer flotation due to "adverse market conditions", is resuming its plans to seek a listing.

However, going against the current trend for scaling down flotations, Mr David Whelan, chairman, said the move would aim to raise around £20m of new money, which is at the top end of previous forecasts.

He also expected the group to be valued at £60m, rather than the £50m envisaged in April.

The listing will be achieved through a placing of 35 per cent of the shares with institutions.

Mr Whelan and his family interests will retain 63.4 per cent, while management will control the remainder.

The pathfinder prospectus is expected to be issued tomorrow.

"My bebef is that the market will accept good companies whatever the conditions, but I was persuaded otherwise", said Mr Whelan. "However, the improving environment will enable us to achieve a better value for the company."

JJB, which started as a single sports sbop in Wigan 21 years ago, achieved operating profits of £2.5m from turnover of £25m for the six months ended July 31 1994.

The company's 107 stores are concentrated in the north west of England, the Midlands and Scotland.

Charterhouse Tilney Securities are the sponsors and stockbrokers to the issue.

Kleinwort China Fund placing to raise £19m

By Bethan Hutton

Kleinwort Benson's China Investment & Development Fund is seeking to raise $30m (£19m) of new capital through a placing of new shares and warrants.

Units of five shares and one warrant are priced at $55. The fund is also making a scrip issue of one warrant for every five shares beld on October 14.

The Gnernsey-incorporated, London-listed fund was launcbed in 1992 to invest in joint ventures in China.

It now has investments in 10 joint ventures, accounting for 90 per cent of its capital.

Results for the year to September 30 showed a net asset valne of $10.10 per share, with losses of 11 cents per share.

In July the fund announced plans to double its size with a $60m fund raising exercise. That bas been scaled back, but the placing could be expanded to a maximum of $60m if there is sufficient demand.

The placing closes on October 28.

Buckingham sells Portuguese arm

By Richard Wolffe

Buckingham International, the lossmaking property and botels group, bas sold a Portuguese subsidiary to an associate company of two Buckingham directors.

The aggregate consideration for Clima Sol, which owns a partially-finished block of luxury apartments in Parede, is £400,000, less than 5 per cent of the £9.2m wbich Bnckingham paid Naaz Holdings for the company.

The sale will reduce its liabilities by £1.3m, which includes £600,000 of bank borrowings, the directors said.

The purchaser is Sentinel Holdings, a subsidiary of Naaz.

Dutch insurer can cover its commitments at London subsidiary

Orion pushed into liquidation

By Ronald van de Krol in Amsterdam and Richard Lapper in London

Nationale-Nederlanden, tbe Dutch insurer, said yesterday it had sufficient provisions to cover its commitments at its UK subsidiary, Orion, the London-based insurance company which was pushed into provisional liquidation on Friday.

Nationale-Nederlanden, which is part of the Internationale Nederlanden Groep (ING), the Dutch financial services company, halted its cash support to Orion and its subsidiary, Overseas Insurance, on Friday morning, prompting the London-based companies to apply to the UK High Court for provisional liquidation.

Orion, which pulled out of writing new business two years ago, is one of a number of companies which have underwritten specialised commercial insurance in the London market, often participating in contracts alongside syndicates at Lloyd's of London.

Like Lloyd's, these companies have been hard hit by claims stemming from pollution and asbestos-related awards in the US and by a string of poor results in other sectors.

Mr Paul Evans and Mr Richard Boys-Stones of Price Waterhouse, the provisional liquidators, said they had not yet examined the financial position of either Orion or its Overseas subsidiary but noted that gross liabilities "might be of the order of $1.5bn"(£940m).

Nationale-Nederlanden declined to comment on the liquidators' gross figure but said that Orion and Overseas Insurance could expect to recover funds from their own reinsurance claims. The operations of the two companies were deconsolidated from the accounts of ING in 1993.

The liquidation of Orion should have no effect on the profit and loss account of Nationale-Nederlanden – or ING – as the company is convinced that existing provisions will prove to be sufficient.

The company would not give a figure for the expected reinsurance recovery.

On Friday the statement from the provisional liquidators helped push ING's shares down on a generally lower Amsterdam stock exchange.

Nationale-Nederlanden bought Orion in 1970. Claims on policies written by Orion before August 1970 and by Overseas Insurance before March 1969 are not the liability of the Dutch company.

AAF lifted to £6.37m by disposal

By Joan Gray

AAF Industries, the building systems company which at the beginning of the year announced that its overriding priority was survival, has announced pre-tax profits of £6.37m for the six months to June 30 against losses of £11m.

This was achieved by the £19m sale of Alloy Wheels International, contributing £9.44m.

Turnover was cut to £29.6m (£42m), with £12.1m from continuing operations, producing an operating loss of £2.47m; AWI contributed an operating profit of £567,000.

Tbe company's core operations are now the Formscaff scaffolding business, Lab Furnishings, and Premier Transline modular buildings.

To turn operating losses into profits, AAF is concentrating on "value engineering and reducing tbe cost of operations," said Mr Peter Cook, finance director.

Overbeads bave been reduced by 25 per cent and are being further rationalised.

Interest charges remained high at £1.17m (£1.3m), but will decrease following the cut in net debt to £600,000 (£21.9m).

Earnings per share were 28p (losses of 58p).

Bimbos finding favour, 3i says

By Richard Gourlay

The structure of management buy-ins, a cousin of the more widely used management buy-out, has changed markedly in the past four years, according to researcb from 3i, the UK's largest supplier of private equity capital.

The hybrid Bimbo – which stands for buy-in management buy-out – accounts for balf of 3i's MBI deals, compared with about a quarter in 1990, the group says.

3i says that venture capitalists now recognise the Bimbo as less risky than the pure buy-in because the new team includes members of management already working in the company.

At the same time, these MBI teams are increasingly being led by entrepreneurs who have already made money in other entrepreneurial ventures, 3i says.

Nearly half the MBI teams 3i backs are now led by these "second time entrepreneurs" compared with less than 20 per cent in 1990. These entrepreneurs will usually invest alongside the venture capitalists.

Mr Patrick Dunne, the 3i director in charge of the MBI programme, says the group's experience is likely to be representative of a trend througbout the industry.

3i has backed 300 MBIs since 1986, considerably more than any competitor.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Booker (UK)	Marine Harvest International (US)	Food	£77m	Agreed salmon farms bid
Lucas Industries (UK)	Lake Center Industries (US)	Auto components	£54m	Beats off France's Valeo
Ford (US)	Mahindra & Mahindra (India)	Car manufacture	£31.6m	7% stake continues trend
English China Clays (UK)	EZE Products (US)	Speciality chemicals	£28.7m	Europe buy next for ECC
SKF (Sweden)	Gotze Elastomere (Germany)	Motor components	est £20m+	UK's T&N non-core sale
Harnischfeger Industries (US)	Morris Mechanical Handling (UK)	Materials handling	£15.8m	Very rapid MBO exit
Sam Miguel Corp (Philippines)/ Hebei Bada (China)	JV	Brewing	£13.3m	SM's third such in China
Thorn EMI (UK)	Star Song Communications (US)	Music publishing	£9.8m	"Contemporary Christian" buy
Bodycote International (UK)	Powdermet (Sweden)	Electrical engineering	£3.55m	Cash buy from ABB
BASF (Germany)/ Ivax (US)	JV	Pharmaceuticals	n/a	BASF intent on generics

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 24.10.94: Pool purchase price £/MWh	Final Prices for Trading on 25.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.22	9.54	9.54
0100	24.82	9.54	9.54
0130	24.82	9.54	9.54
0200	24.82	9.55	9.55
0230	24.82	9.55	9.55
0300	22.01	9.55	9.65
0330	9.45	9.54	9.54
0400	9.22	9.54	9.54
0430	8.25	9.54	9.54
0500	8.25	9.54	9.54
0530	8.30	9.64	9.54
0600	8.25	9.54	9.54
0630	8.22	10.20	10.20
0700	24.64	10.55	10.55
0730	23.51	18.41	19.03
0800	24.51	17.16	18.78
0830	23.82	17.46	20.09
0900	29.85	16.73	21.37
0930	29.78	19.84	22.51
1000	29.98	18.92	22.81
1030	30.01	19.98	22.67
1100	30.17	20.00	22.72
1130	30.21	28.41	29.15
1200	30.28	26.45	29.18
1230	30.26	26.38	29.11
1300	30.19	28.28	28.97
1330	29.63	19.80	22.45
1400	29.75	17.51	20.15
1430	10.42	17.49	20.13
1500	10.43	17.48	20.12
1530	29.82	17.47	20.10
1600	37.01	17.20	19.83
1630	42.79	24.46	27.11
1700	90.01	27.63	30.29
1730	107.45	36.48	39.14
1800	110.60	27.56	30.20
1830	89.60	17.17	19.80
1900	59.25	17.25	19.80
1930	41.78	31.33	33.99
2000	38.68	31.32	33.96
2030	29.63	31.24	33.87
2100	25.70	17.45	20.07
2130	25.69	16.56	19.18
2200	25.69	16.93	19.55
2230	25.69	16.20	18.82
2300	25.69	16.30	18.92
2330	25.69	14.49	17.11
2400	10.02	10.10	10.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.19	9.54	9.54
0100	8.14	9.54	9.54
0130	9.21	9.54	9.54
0100	25.88	**.**	**.**
0130	25.88	**.**	**.**
0200	25.88	9.55	9.56
0230	25.88	9.57	9.57
0300	8.59	9.57	9.57
0330	9.58	9.54	9.54
0400	8.22	8.54	9.54
0430	8.16	9.54	9.54
0500	8.18	9.54	9.54
0530	9.20	9.52	9.52
0600	8.23	9.52	9.52
0630	8.20	9.53	9.53
0700	8.22	8.54	9.54
0730	8.22	9.54	9.54
0800	8.20	9.54	9.54
0830	8.25	11.30	13.87
0900	9.22	11.59	14.18
0930	16.66	12.28	14.84
1000	25.93	15.98	18.55
1030	18.04	17.61	20.18
1100	25.83	17.61	20.19
1130	25.83	17.61	20.19
1200	28.87	21.51	24.09
1230	28.87	21.51	24.09
1300	28.87	21.51	24.09
1330	26.93	17.61	20.19
1400	23.70	15.06	17.65
1430	23.70	14.54	17.11
1500	10.02	12.13	14.70
1530	9.22	9.66	9.66
1600	9.22	9.65	9.65
1630	10.02	9.65	9.65
1700	23.70	11.59	14.16
1730	35.66	12.28	14.84
1800	44.20	13.32	15.89
1830	44.20	14.54	17.11
1900	44.20	15.06	17.65
1930	42.80	18.01	20.58
2000	35.66	29.50	32.07
2030	34.47	29.50	32.07
2100	30.42	25.64	28.21
2130	24.47	18.18	20.75
2200	24.47	19.01	20.58
2230	22.05	16.41	18.99
2300	[illegible]	13.59	16.17
2330	9.22	12.12	14.70
2400	8.22	9.65	9.65

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE

Singapore Airlines ahead midway

By Paul Betts,
Aerospace Correspondent

Singapore Airlines (SIA), the world's most profitable airline last year, has confirmed the financial recovery in the airline industry by reporting a 20 per cent rise in group operating profits to S$478m (US$322m) for the half year to September.

The airline itself reported an even higher jump in first-half operating profits of 57.7 per cent to S$385m, reflecting the economic recovery in leading industrialised countries and lower fuel costs.

However, the operating profits of the airline's subsidiaries fell by nearly 40 per cent to S$93m, largely as a result of losses at its SilkAir regional airline subsidiary, airport duty-free activities, and its investment subsidiary being hit by the international downturn in both equity and bond markets.

SIA group net profits rose 17.7 per cent in the first half to S$461m, while the airline's net earnings improved 31.7 per cent to S$438m. Half-year group revenues rose 7 per cent to S$3.248bn while airline turnover increased by 7.8 per cent to S$2.937bn.

Although the airline carried 10.4 per cent more traffic in the first half, the overall yield fell 2.5 per cent entirely due to the strength of the Singapore dollar.

Dr Cheong Choong Kong, SIA's managing director, said revenue yields would continue to remain under pressure because of increased competition in both the intercontinental and Asian markets.

Although the worst was now over and some light was finally appearing at the end of the tunnel, Dr Cheong warned it would not be "entirely smooth sailing from here on".

Asian carriers have also been losing their distinct cost advantage over airlines from more developed parts of the world because salaries, rents and other lower costs in Asia were either catching up or had already overtaken the levels in Europe or North America, Dr Cheong said.

SIA's expenditure rose 2.8 per cent in the first half to S$2.552bn due to higher costs of aircraft maintenance, overhaul, handling, landing and parking, depreciation and staff, although these costs were to some extent offset by lower fuel costs.

Hochtief builds case for Holzmann

Christopher Parkes looks at prospects for a ground-breaking merger

The more Mr Lothar Mayer talks, the more he sounds like a man negotiating with a guillotine operator over the terms and conditions for a haircut.

Mr Mayer, chairman of Philipp Holzmann, Germany's biggest construction concern, is proposing a little hit off the sides. But Mr Hans-Peter Keitel, chief of second-ranked Hochtief, seems to want his head.

This lop-sided discussion started late last month, when Hochtief said it intended to increase its stake in Holzmann to about 30 per cent with the purchase of a 10 per cent holding owned by BfG Bank.

While Mr Keitel claims he does not want a formal merger – saying the groups should remain as competitors, at least in the domestic market – he makes no bones about wanting to win control.

For a start, he needs cartel office approval for his plan to take Hochtief's stake above 25 per cent. Then, he says, he wants to raise his holding to around 40 per cent. At this level he could dominate Holzmann's annnal meetings, where it is rare for more than 80 per cent of the shares to be represented.

The Hochtief initiative appears to have been prompted by Mr Mayer himself, who almost a year ago said Deutsche Bank was planning to reduce and eventually dispose of its 25.9 per cent stake in Holzmann.

Although Deutsche made no comments at the time, a more recent leak that it planned to reduce its bolding to 10 per cent effectively put Holzmann into play and forced Hochtief's hand. In Mr Keitel's words, his minority stake was "taken out of the refrigerator" where it had been stored since 1981.

Mr Keitel also revealed last week that his board had been carrying on hitherto fruitless negotiations with Holzmann executives for about a year.

Now, however, confronted with Hochtief's ambitions, Mr Mayer seems eager to accept that the two groups can fruitfully "co-operate" in their overseas operations, where there are no significant overlaps.

It is even possible that they might fuse their operations in individual countries or regions, and pass control of the new entities to whichever of the partners has more experience in the particular area, he says.

In the US, for example, Holzmann's Jones Group subsidiary would be the ideal leader for such a collaboration. However, there was absolutely no sense in merging German operations. This was a case in which two plus two made considerably less than four, said Mr Mayer.

He was hawking a similar line at a meeting with analysts last week. He could well imagine co-operation abroad, "but not at the price of our independence at home", he said.

Mr Mayer also protests that Hochtief's approaches should be rejected on anti-trust grounds.

Although the two companies account for only about 3 per cent of the German market – there are about 75,000 building companies in the whole country – Mr Mayer has taken considerable pains to point out that construction expertise within certain specialist sectors is already heavily concentrated in a few hands.

These include power stations, underground railways and high-rise office buildings. He claims that the cartel office's timetable (it has given itself a full four months to investigate the deal) indicates that it intends to undertake a thorough probe of these niches.

Speaking to journalists last week, Mr Mayer also pointed out that Holzmann had been prevanted on anti-trust grounds from taking a 25 per cent stake in the Dywidag group.

However, that was 10 years ago, before the awakening to the realities of global competition.

Analysts suggest the German anti-trust authorities are nowadays more likely to be interested in possible dangers stemming from the lack of concentration in the German construction business.

As the number of companies involved suggests, the industry is heavily influenced hy the introspective *Mittelstand* mentality. The 30 biggest companies together account for less than 15 per cent of the entire market.

Although big in German terms, the antagonists in the current affair are no giants in the international arena.

Holzmann's DM12.5bn ($8bn) annual turnover is modest compared with the DM18bn sales at French gronp Bouygues, for example. Turnover at Hochtief is about DM8bn.

Their non-domestic business interests – accounting for a third of sales at Holzmann and a quarter at Hochtief – are also modest by international standards.

Analysts, who gava an almost unanimous welcome to the announcement of Hochtief's plans, say that more muscle together with more concentration of skills and financing power are needed if the leadsrs of the German building industry are to make their way in the world outside their stagnating domestic market.

They see traditionalist Holzmann, with its shrinking foreign business, and aggressive Hochtief, with an impressive reputation In airport construction and a markedly better profits record, as the perfect test case of the industry's will and ability to consolidate and find a new way in the world.

As one observer said, the idea that the Berlin cartel office should prevent merger or closer collaboration between the two on the grounds of excessive concentration in some domestic niche sector "would take German provincialism to absurd extremes".

Downturn in third quarter at Mobil

By Richard Waters
in New York

Lower US natural gas prices and weaker refining margins in eastern Asia were behind a 25 per cent fall in net income at Mobil in the third quarter, to $503m.

Leaving aside one-off charges in both periods, however, the slide in underlying profits after tax was only 14 per cent from a year before, when Mobil bad enjoyed a very strong quarter.

At $1.23 a share, compared with $1.63 a year earlier, the company's earnings were squarely in line with market expectations.

Earnings in Mobil's exploration and production businesses fell by $56m to $309m. This reflected lower natural gas prices, offset in part by higher crude oil prices, and higher exploration costs, both in the US and overseas.

Profits from marketing and refining, meanwhile, slipped by $120m to $234m. While margins were lower around the world, the fall reflected Mobil's greater exposure to the refining business in the Asia/Pacific region than most other US energy groups.

Partially offsetting these factors was a continuing rebound in Mobil's petrochemicale business.

Earnings of $60m, up from $9m a year ago and $39m in the second three months of 1994, benefited in particular from a better polyethylene resin market, Mobil said.

Mr Lucio Noto, chairman, said he expected conditions in the petroleum industry to remain volatile, and added that Mobil would continne with the restructuring and cost-cutting policy which was intended to increase its returns from its existing assets.

Mobil's return on equity in the 12 months to the end of September was 9.2 per cent, down from 12.3 per for the whole of 1993. Mr Noto, who took over as chairman earlier this year, has set a target of raising Mobil's long-run return on equity to about 12 per cent.

Price rises boost earnings at US steel companies

By Richard Waters

A series of price increases this year has boosted earnings at US steel companies faster than expected, and is likely to be followed by further price increases throughout 1995.

Nucor, the US's biggest mini-mill, and LTV, an integrated steel producer which emerged from bankruptcy protection a year ago, each surpassed market forecasts with third-quarter profits. The US's biggest steel producers, US Steel and Bethlehem Steel, are among those due to report results this week.

The improved results come in the wake of three rounds of price rises pushed through by most makers of flat-rolled steel products in the US so far this year. More increases are expected early in 1995.

Next year's increases are reflected in the current "spot" price for steel, which has risen by 20 per cent this year, said Mr John Jacobson, a steel analyst at Wefa, an economic consulting group. "That will be translated into the bottom line next year" as steel makers renegotiate contracts with their biggest customers, be said.

In the three months to the end of Septemher, Nucor's sales rose 34 per cent from a year before, to $786m, as the company benefited from increased capacity. LTV's sales rose 8 per cent, to $1.05bn, on a 4 per cent increase in volume.

Steel imports into the US bave jumped this year as domestic makers have hit capacity constraints. In tbe first eight months, imports accounted for 24.2 per cent of total US sales, up from 17 per cent in the same period in 1993.

In an apparent attempt to ease the pressure for further price rises, General Motors last week reached agreement to buy steel from Kawasaki Steel - the first time it has bought Japanese steel for more than 20 years. However, the small size of the deal made it "largely symbolic," with little influence on prices, said Mr Jacobson.

Nucor, which makes steel from scrap in electric furnaces, reported earnings per share in the third quarter of 74 cents, against market expectations of around 62 cents. Its after-tax profits were 85 per cent up on a year before, at $64.5m.

LTV, meanwhile, achieved earnings per share of 35 cents, some 3 cents higher than expected. Its net income was $34.1m, compared with only $400,000 a year ago.

Alcatel may keep CEAC stake

By Andrew Hill in Milan

Alcatel Alsthom, the French industrial group, may remain a minority shareholder in CEAC, the French battery mannfacturer, in spite of last week's announcement that Fiat of Italy intends to sell its majority stake in the company to Exide Corporation, the US batteries group.

The Italian automotive and industrial group, which owns 62 per cent of CEAC, has decided to sell to Exide rather than step up competition against the US group, which is increasing its presence in Europe.

But Alcatel, which owns almost all the remaining CEAC shares, said on Friday that it had not yet decided whether to sell its stake to the US company. Alcatel also controls extensive industrial battery operations worldwide through its Saft subsidiary.

CEAC has a turnover of L1,191bn ($778m), mainly in the automotive battery business, and has been valued at $535m, Fiat said.

Fiat, which took control of CEAC in 1991, said the sale should be finalised within the next few months, after approval hy the relevant authorities.

Earlier this year, Exide bought Big Batteries, the UK's largest private battery manufacturer, and launched a bid for control of Tudor, the Spanish battery maker.

Fiat has also decided to buy a 17 per cent stake in the Canadian company Meridian Technologies, which is the world leader in the manufacture of pressed megnesium components.

The Italian company's metal products subsidiary, Teksid, will acquire the stake and will be able to nominate two directors to the eight-strong board of the Canadian company, Fiat said.

Cost-cutting lifts Kao in first half

By William Dawkins in Tokyo

Kao, Japan's leading maker of household prodncts, has reported a rise in profits for the first half of the year, helped by cost-cutting and the success of new products.

Demand for a new cosmetics line, gift soaps and a new floor cleaning fluid, helped sales rise hy 2.1 per cent to Y322.5bn ($3.3bn) in the six months to September. Recurring profits, before extraordinary items and tax, rose more steeply, by 12 per cent to Y25.76bn.

Sales of laundry and cleansing products, Kao's largest sector, worth nearly 40 per cent of turnover, rose to Y127.6bn from Y123.9bn, while sales of personal care products, 35.5 per cent of the total, rose slightly to Y114.5bn. Results for some skin care products, a market where price cutting is rife, fell by comparison with last year.

Overall operating profits rose 8 per cent to Y27bn in the interim period. Operating margins were a record 8.4 per cent of turnover.

Kao has been one of the few Japanese companies to keep profits and margins rising through the recession. This is partly a result of cost reductions and the rapidity of new product releases.

First-half earnings per share rose 4.1 per cent to Y21.11.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / John Plender

The bill comes in for the free lunch

If you believe the proponents of modern portfolio theory, international diversification offers the nearest thing in the investment world to a free lunch.

For those who do not have an already fully diversified fund, raising the proportion of overseas assets is sopposed either to lower risk at no sacrifice of return; or to raise expected returns for a given degree of risk.

That is, in the American argot, a win-win situation. Yet for professional fund managers who have bought this theoretical package the phrase seems an odd description for events in 1994. The eseence of the diversification argument lies in the notion that price movements in *foreign* markets are not closely correlated to price movements at home.

Yet in practice world bond markets have been relatively closely correlated for many years. And the bond market fall-out earlier this year was synchronised to an extraordinary degree.

By now a more divergent pattern of behaviour *has* emerged. But if part of the point of buying foreign bonds was to escape a dramatic market shock at home, then the strategy was not much use in the first half of 1994.

As for equity markets, they are already very integrated in the developed world, if not quite to the same extent as bonds, and show fairly high correlation coefficients despite cyclical divergence in the underlying economies.

It has always seemed plausible that emerging markets offer the best form of diversification. Their economies are furthest out of synchronisation with those in the OECD area. The first of the attached charts, showing the movement of Latin American and Asian equity market indices against a world index, appears to support that view.

If there was any correlation with the OECD economies in the first half of the year it was with bonds rather than equities, no doubt reflecting the use of borrowed money. Since then emerging markets have recovered *to earlier levels*. A more hard nosed interpretation might be that it simply demonstrates a fad. US fund managers caught the diversification bug last year, just as investors generally were waking up to the potential for high returns in Asia and Latin America. So the diversification argument became self-fulfilling *after* a long period in which emerging markets had seen their correla*tions with equity markets* in the developed world increase.

Another striking feature of the chart is how closely correlated Asia and Latin America seem to be, despite widsly divergent economic circumstances. While diversification is available generally in emerging markets, there is not much benefit to be had by spreading the investment between different regions.

The overall message is that it is increasingly difficult to obtain worthwhile diversification. Nor is the pay-off very obvious. Over the 10 years to end-1993 UK domestic equities showed an average return of 15.8 per cent compared with only 15.2 per cent on international equities in sterling terms. And of the 18 countries covered in UBS's Global Pension Fund Indicators, 10 *showed better domestic equity* returns than international equity returns in local currency terms.

British fund managers with a high overseas content could argue thet the lower return was amply justified by the reduction in risk provided by diversification, and that international equities may well do better in future years. The latter point is convincing if you *believe* that the UK stock market's extraordinary capacity to grow faster than UK output and incomes is unstainable. But in the light of the growing integration of markets, was the risk reduction really so great?

The short answer is that it must still be worth having, in order to insure against country-specific shocks. The proportion of Hong Kong pension fund assets in overseas equities and bonds is an astonishingly high 60 per cent. Yet it is hard to argue with that strategy given the political cloud that hangs over this highly dynamic economy.

What, then, of the merits of property as a vehicle for diversification? The second chart confirms that property shares are more closely correlated to the equity market than to property itself. Direct property, meantime, has offered useful diversification against the bond market shake-out.

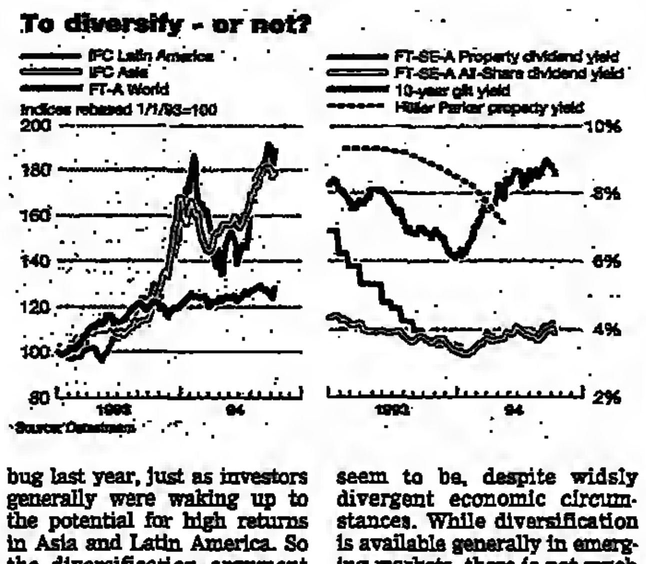
On the international front property is clearly no worse than equities or bonds in providing cross-border insurance. And property markets have the huge *advantage of being* much less integrated. Forms of tenure, lease terms and patterns of ownership vary enormously from country to country.

It follows that property should be able to provide far more diversification benefit than securities. But eveu here there are caveats. AMF Pension, the Swedish insurer and pensions group, with help from agents Jones Lang Wootton, receotly looked at more than a decade of returus on prime offices in the main European property markets. According to Tor Perry Marthin, senior vice president and chief investment officer, Frankfurt, Amsterdam and Brussels moved in lockstep, while Paris was only marginally less closely correlated. So three out of the four continental European centres could offer no additional worthwhile diversification benefits. Only London was out on its own.

Note, too, that theoretical discussion about diversification tends to ignore the real world problem of liquidity, which is important in property – although not as important for immature pension funds as for other investors.

It is possible that this year's events in the markets will reduce the appeal of diversification for the more practically minded fund managers. And if US institutions conclude that they have much less need for *insurance against country-specific* shocks in their vast continental economy, the pattern of global capital flows could look very different next year.

To diversify - or not?



Total return in local currency to 20/10/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.09	0.04	0.09	0.10	0.18	0.10
Month	0.41	0.21	0.42	0.45	0.69	0.45
Year	3.44	2.39	5.75	6.06	8.25	5.38
Bonds 3-5 year						
Week	-0.40	0.36	0.25	-0.17	0.28	-0.19
Month	-0.51	-0.35	1.43	1.01	1.47	1.94
Year	-3.24	0.06	1.47	-0.25	0.17	-0.01
Bonds 7-10 year						
Week	-0.82	0.44	0.10	-0.75	-0.07	-0.32
Month	-0.93	-0.58	2.55	1.53	1.33	3.01
Year	-8.59	-1.52	-3.31	-7.07	-7.07	-3.70
Equities						
Week	-0.1	-1.2	-0.6	-3.9	-6.2	-3.2
Month	1.1	0.7	-0.7	-2.8	-7.6	-7.8
Year	3.2	-2.3	0.2	-7.6	6.9	6.9

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

COMMODITIES — Kenneth Gooding

Brighter outlook for aluminium

When the US aluminium industry began organising its first international conference and exposition last year its mood was close to suicidal. Aluminium prices were at an all-time low in real terms and *most companies* were *piling* up losses.

How quickly the mood has changed.

The industry will make its way to Alumitech '94 in Atlanta, not to commiserate but to celebrate. Aluminium prices on the London Metal Exchange were above $1,700 a tonne on Friday, a level which allows every smelter in the world to make a profit.

With their short-term difficulties apparently behind them, the 1,200 sxecutives expected to attend – from Bel*gium, Canada, France*, Germany, Japan, Mexico, Russia and the UK, as well as the US – will hear some heartening forecasts about aluminium's global growth prospects, particularly in key markets such as the beverage can and the automotive industries.

One ksynote speaker, Mr Richard Holder, chairman of Reynolds Metals, the world's third-largest aluminium group, already has predicted that the global aluminium can market will grow by 65 per cent by the year 2000.

Another speaker, Mr Jacques Bougie, president of Alcan, the second-largest aluminium producer, says confidently: "By the year 2010 the world automotive industry could be consuming as much as three times the aluminium as it does today. The additional shipments to this market alone could require the equivalent of the output of 30 to 40 additional world scale aluminium smelters."

Alumitech '94 lasts from Wednesday to Saturday.

Natural resources will be *considered* at a *conference*, Doing Business in Uzbekistan, which will be held in London on Tuesday and Wednesday this week. Subjects for debate will include: oil and gas; mining; tobacco; cotton and, inevitably, prospects for foreign investment in this part of the former Soviet Union.

Economics Notebook

Mastering the rat race

One of the main aims of the Social Justice Commission, whose final report is out today, was to explain why certain groups in the UK are not working, and suggest ways to help them to get jobs. But another puzzle has tended to receive less attention: why *are others, especially in non*manual jobs, working harder?

Some would say that non-work and hard work have a single explanation: the structure of the tax and benefit system. Just as high marginal tax rates discourage the "poverty trapped" from taking work, lower rates for those already working a full 35-hour week might have encouraged many employed people to work harder.

Yst international evidence suggests thet neither different tax rates, nor different levels of earnings, can fully explain why some people work longer hours. Longer hours may well be a response to distorted incentives, something policy-makers cannot easily change.

In a seminar last week at the London School of Economics, Professor Richard Freeman, a Harvard economist, provided an interesting test-case for any explanation of differing work habits. He noted that a sizeable gap has emerged between hours worked in the US and Germany.

In 1970, US employees worked, on average, somewhat fewer hours over the course of a year than their German counterparts. By 1993, however, Americans were working some 200 hours more than Germans, a difference of 13 per cent.

At first sight, a tax-based explanation of the difference in work effort seems highly plausible. On average, German workers face about a third higher average and marginal tax rates than their counterparts in the US. Germans can also rely on more "social income" (such es welfare payments), which might lead them to choose more leisure. In the US, income taxes for medium and high earners fell in the 1980s.

Differing real wage trends since 1970 provide another explanation for longer US hours. German real wages have continued to rise since the 1970s, in contrast to the US where they have been stagnant or falling. Standard economic theory would predict that Germans would choose more leisure as their real incomes rose, while Americans might be expected to work harder to hold on to the same standard of living.

There are difficulties, however, with both the tax-benefit and the real wage interpretation of the US-German "work-gap". For one thing, workers in Germany also work fewer hours than those in neighbouring countries, where taxes and benefits are just as high.

Second, although some of the rise in hours worked among low-paid US workers is probably a response to falling wages, work effort has risen most among professional, educated workers, whose relative earnings have actually risen over the period.

So why do Americans work so much more? Drawing on data from a wids range of countries, Prof Freeman has concluded that is it not the level of individual pre- or post-tax wages *per se*, but the overall distribntion of earnings that explains cross-country differences in work-effort.

In the US, high and rising earnings inequality means that "the rewards to greater effort are large and the penalties to slack are substantial". The opposite is true in Germany, where the social safety net is higher and the overall distribution of pay has remained fairly equal.

Clearly, for many in the US, a great deal may hinge on whether they can persuade their bosses that they are hard workers. But the people who put in the longest hours are not necessarily the most productive. In many jobs, one might expect the reverse to hold. Someone who spends 12 hours on a task which takes others only 10 may get points for effort, but few for productivity.

At other times, the quantity of work done is a better indication of its quality, but the corrslation is rarely ons-to-one. Employers would usually do bsttsr assessing the individual's output more directly. Unfortunately, this is not always possible. In many *labour-intensive professions*, a willingness to "put in the hours" may be the only way for employers to gauge, howsver imperfectly, whether someone is up to ths job.

There is danger here, first spotted by George Akerlof, the economist, in the mid-1970s. Employees who would prefer to work fewer hours are aware that their boss may take this to denote poor quality. They may, therefore, try to hide their true preferences, agreeing to work longer hours in return for a given wage than they would otherwise choose. Knowing ths incentive to deceive, employers may, in turn, demand unnecessarily long hours to flush out those who are only pretending to like working late.

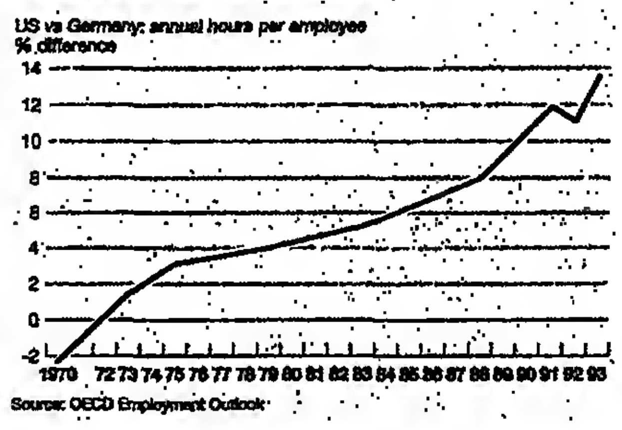
The npshot is a "rat race equilibrium" in which everyone ends up working more than either they, or the jobs themselves, would otherwise demand.

Some occupations will suffer from this problem more than others. Recent research in large US law firms, for example, has found significant evidence of over-work consistent with the Akerlof model.*

It is plausible that the recent rise in hours worked, much of it unpaid, among managerial workers in the UK partly reflects a similar problem. Changing the tax system could allow more people to join the rat race: it might not make it any less exhausting.

Stephanie Flanders

Americans put in the hours



*Rat Race Redux: Adverse Selection in the Determination of Work Hours, R Landers, J Rebitzer & L Taylor, MIT mimeo, October 1994.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 21 1994 US Dollar Index	% chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY OCTOBER 20 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (85)	170.29	2.0	155.10	104.41	132.40	154.82	-5.3	3.88	169.80	155.41	104.46	132.56	153.26	189.15	149.36	155.51
Austria (16)	182.23	-1.5	165.96	111.78	141.67	141.82	-16.0	1.14	185.57	169.84	114.17	144.67	144.81	198.89	167.46	180.10
Belgium (37)	170.85	6.0	155.61	104.75	132.83	129.73	-10.5	4.25	171.61	157.24	105.70	134.12	130.66	177.04	149.33	151.50
Canada (103)	136.40	0.5	124.23	83.63	106.05	133.82	2.8	2.53	137.46	125.80	84.56	107.31	134.88	145.31	120.54	130.50
Denmark (33)	260.44	5.4	237.20	159.68	202.46	207.11	-8.3	1.43	261.74	239.55	161.03	204.33	209.06	275.79	230.27	237.31
Finland (24)	198.69	61.3	180.96	121.82	154.47	161.18	27.7	0.74	198.17	181.37	121.92	154.71	151.69	198.69	116.85	120.89
France (101)	167.27	-4.9	152.34	102.55	130.04	134.49	-17.5	3.23	168.59	154.30	103.72	131.61	136.12	185.37	159.34	169.53
Germany (58)	143.61	2.4	130.80	88.05	111.85	111.65	-11.8	1.85	145.84	133.48	89.73	113.86	113.88	150.40	125.37	133.42
Hong Kong (56)	378.63	-22.8	344.84	232.15	294.37	375.65	-22.5	3.31	380.88	348.68	234.38	297.43	377.95	506.58	341.29	354.09
Ireland (14)	208.01	12.3	189.45	127.54	161.72	182.71	-1.3	3.46	209.65	191.88	128.98	163.67	184.68	218.60	171.66	173.75
Italy (59)	77.42	12.9	70.51	47.47	60.16	88.49	0.9	1.77	78.21	71.58	48.11	61.06	89.45	97.76	57.96	71.17
Japan (468)	163.23	25.4	148.67	100.06	126.91	100.06	9.0	0.77	163.61	149.73	100.65	127.72	100.65	170.10	124.54	151.82
Malaysia (97)	553.34	-6.5	503.96	339.27	430.20	544.24	-11.3	1.54	559.52	512.07	344.22	436.80	549.06	621.60	430.71	462.49
Mexico (18)	2267.00	-5.1	2064.67	1389.94	1762.45	8465.73	4.4	1.21	2277.54	2084.39	1401.15	1777.98	8495.11	2647.08	1698.38	1823.45
Netherland (16)	216.48	8.7	197.15	132.73	168.30	165.60	-6.2	3.49	217.18	198.77	133.61	169.55	166.78	218.75	187.01	194.05
New Zealand (14)	73.86	8.6	67.27	45.29	57.42	84.06	-0.6	3.79	74.29	67.98	45.70	57.99	84.35	77.59	59.22	65.24
Norway (23)	207.87	16.7	189.32	127.45	161.51	183.65	0.1	1.80	208.30	190.54	128.15	162.62	184.71	211.74	165.52	163.64
Singapore (44)	395.68	7.7	360.37	242.60	307.63	268.77	-1.4	1.67	395.01	361.52	243.02	308.38	268.23	396.92	294.66	329.82
South Africa (59)	339.49	27.1	309.18	208.15	263.94	296.44	18.3	2.17	342.00	313.00	210.40	268.99	294.62	342.00	202.72	218.59
Spain (38)	141.54	1.6	128.90	86.78	110.04	133.71	-11.4	4.15	142.78	130.97	87.84	111.46	135.20	155.79	128.86	143.38
Sweden (36)	241.13	22.8	219.61	147.84	187.47	263.92	4.8	1.58	240.83	220.41	148.18	188.01	255.70	241.13	175.83	205.62
Switzerland (47)	165.45	3.3	150.69	101.44	128.63	127.75	-13.3	1.90	166.77	152.62	102.59	130.18	128.96	176.56	143.84	146.29
United Kingdom (204)	200.89	-2.0	182.98	123.17	156.18	182.96	-11.0	4.18	201.83	184.71	124.17	157.57	184.71	214.96	181.11	182.18
USA (515)	189.83	0.0	172.89	116.39	147.58	189.83	0.0	2.87	190.63	174.46	117.27	148.81	190.63	196.04	178.95	189.75
EUROPE (709)	172.70	2.5	157.29	105.88	134.26	147.75	-10.5	3.14	173.91	159.17	106.99	135.77	148.39	178.58	154.79	161.98
Nordic (116)	233.73	23.3	212.87	143.30	181.71	210.46	4.2	1.41	233.74	213.92	143.80	182.47	211.90	233.74	173.19	192.67
Pacific Basin (747)	172.29	16.6	156.91	105.63	133.95	110.85	4.8	1.06	172.72	158.08	106.26	134.84	111.41	179.86	134.79	159.41
Euro-Pacific (1456)	172.34	11.2	156.95	105.66	133.98	126.75	-2.1	1.96	173.10	158.42	106.49	135.13	126.71	175.14	143.88	160.36
North America (618)	186.51	0.1	169.86	114.35	145.00	185.85	0.1	2.85	187.32	171.44	115.24	145.23	186.77	192.73	178.67	186.06
Europe Ex. UK (505)	153.91	4.3	140.18	94.37	119.58	127.18	-10.1	2.53	155.21	142.05	95.49	121.17	128.69	156.12	135.94	142.59
Pacific Ex. Japan (279)	260.79	-9.1	237.52	159.90	202.75	232.33	-13.0	2.82	261.81	239.61	161.07	204.36	232.54	296.21	230.10	232.04
World Ex. US (1636)	174.39	10.9	158.83	106.92	135.58	129.65	-1.8	1.97	175.19	160.34	107.78	136.77	130.59	176.65	146.58	181.01
World Ex. UK (1947)	176.31	7.6	160.57	108.10	137.07	144.65	0.0	2.06	177.09	162.07	108.95	138.25	145.49	178.59	155.96	167.40
World Ex. So. Af. (2082)	177.43	6.6	161.60	108.79	137.94	147.07	-1.3	2.28	178.22	163.10	109.84	139.13	148.00	180.03	158.54	169.37
World Ex. Japan (1683)	188.70	0.5	171.85	115.89	146.70	178.33	-4.6	2.92	189.71	173.63	116.71	148.10	177.46	195.20	176.34	180.83
The World Index (2151)	178.49	6.6	162.55	109.43	138.78	148.17	-1.1	2.28	179.26	164.07	110.29	139.95	149.08	180.80	158.85	169.58

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

EMERGING MARKETS: This Week

The Emerging Investor / William Barnes

Thai bond market set for lift-off

The Thai bond market may be poised to become one of Asia's fastest growing debt markets – perhaps even emulating the extraordinary rise of the Bangkok stock market over the past decade.

By default Baht-denominated bonds could, alongside the Hong Kong market, become one of the most attractive debt markets for foreign investors in east Asia, according to a senior World Bank official.

The historically moribund secondary market for Thai bonds could receive a lift when trading starts on the over-the-counter market on November 1.

"There is a buge potential – the Thai stock market is equivalent to 105 per cent of the GNP; the bond market measures less than 5 per cent of GNP," said Mr Ishmail Dalla, head of a World Bank mission to advise the Thai government on the privatisation of state enterprises.

"We see a small market that is starting to explode," said Mr Vuthiphong Priebjrivat, the managing director of Thailand Rating and Information Services, the newly established credit rating agency.

It could be several years before rival emerging dsbt markets in Asia overcoma their regulatory teething problems or a hostility to foreign investment.

Korea, for instance, has e large debt market but it remains largely fenced off to overseas investors, partly for fear that capital inflows will drive up the value of the won.

The Malaysian bond market motored from nothing to $6bn last year after the government insisted that every debt issuer had to obtain a rating.

A requirement that all debt issues obtain a credit rating makes it much easier for portfolio managers to invest in Malaysia's fixed income market. Yet the Kuala Lumpur authorities' penchant for interfering was displayed last year when Bank Negara deliberately squeezed out many foreign capital deposits for fear that they would disrupt the monetary regime and the exchange rate.

Thailand is generally more relaxed about foreign capital inflows and has a currency that has tracked the dollar without significant interruption for many years.

The finance minister, Mr Tarrin Nimmanhaeminda, said: "We are the poorer for not having an active bond market – wa want to see one get going."

The Baht bond market hardly twitched in the dozen years to 1992, when rapid economic growth was driving the stock market's capitalisation up nearly 60-fold.

Thai administrations heve traditionally been cautious about going into debt; for the past six years governments have run a budget surplus and reduced the volume of government bonds at issue.

Corporations – public or private – were simply not allowed to issue their own paper until late 1992: foreign direct investment, the lively stock market and banks provided adequate capital sources.

Ten best performing stocks

Stock	Country	Friday 21/10/94	Week on week change $	Week on week change %
President Enterprises	Taiwan	2.5167	0.6281	33.26
Buenaventura (L)	Peru	5.5126	1.1667	26.85
Buenaventura (C)	Peru	5.1214	0.7979	18.46
TPI Polene	Thailand	9.7792	1.5230	18.40
Walsin Lihwa Wire & Cables	Taiwan	1.3755	0.2133	18.35
Minsur	Peru	10.3417	1.4036	15.70
Evergreen Marine	Taiwan	2.2361	0.2408	11.77
Pitt Exploration & Production	Thailand	11.0040	1.1561	11.74
Far Eastern Textile	Taiwan	1.5215	0.1567	11.48
Cementos Lima	Peru	2.3516	0.2100	9.81

Source: Baring Securities

The general complacency over a debt market has been shattered by two developments: the need to revamp the countries' creaking infrastructure and the corporate sector's enthusiastic discovery of disintermediation – tapping by borrowers of savers without the help of the banks.

The World Bank calculates that the 15 public utilities thet it has targeted for privatisation will need to raise external funding of $52.5bn between now and the end of the century.

Mr Dalla, a bank official, said: "The Thai government is loath to borrow money directly and the Thai banking sector is not geared up for long-term lending. Yet equity investors demand too high a yield – the bond market is the only place to go."

As a rule-of-thumb Mr Dalla reckoned that three quarters of infrastructure funding should come from the debt markets and a quarter from the stock market.

Thailand's debt markat is well developed but has concentrated on short-term maturities, with finance companies issuing promissory notes to fund their lending and corporations issuing short-term paper known as bills of exchange.

Corporations have discovered that, following the legal changes, they can often obtain funds more cheaply and with fewer collateral requirements by issuing bonds than going to their traditional bank lenders.

Mr Vuthiphong reckons that the market for corporate bonds could climb from Bt20bn at the end of 1993 to nearly Bt100bn this year and perhaps Bt250bn by 1995. Assuming that state entarprises add another Bt100bn to the Bt150bn of bonds already at issue then he said that the total bond market could surpass Bt500bn ($20bn) by the end of 1995. The capitalisation of the stock market is currently about Bt3.5 trillion or $141bn.

These figures do not include the Bt40bn raised by corporations on the Euroconvertible debenture last year. By tapping the Euromarkets in this wey, the corporations learnt ebont debt markets, although rising interest rates and weaker Bangkok share prices have combined to close off this avenue for funds for the moment.

Next week's first tentative steps in scripless closed circuit over-the-counter (semi-regulated) trading ehould involve np to 15 active traders, although more than 60 organisations have registered an interest (perhaps because they believe this is a one-time only application).

Some sceptics have still to be convinced that Asian investors, hooked on the excitement of a stock market as volatile as Bangkok's, will be attracted to the bond market. Yet the government is pushing for the development of the central provident fund, the mutual fund and insurance industries, and other obvious customers.

Tipsuda Thavaramara, bond specialist at the Securities and Exchange Commission, said: "We want to see a lively bond market if possible. We'll have several teething problems but nothing that's going to kill the market."

Mr Thirachai Phuvanatnaranubala, the director at tha Bank of Thailand in charge of bond market development, said that in the absence of an adequate government bond yield curve to act as a benchmark, investors would probably have to be content to trade in blue chip corporations and state enterprises.

Mr Thirachai said: "I won't worry if things aren't desperately exciting straight away. The demand is there – it's inevitable."

■ Strategy

In the final quarter of 1994 James Capel's emerging markets team is maintaining a preference for Latin America, recommending an overweight position against Europe, the Middle East and Africa.

Capel said that it was recommending e broadly neutral stance on Asia, although it picked out South Korea and Indonesia as worthy of an overweight position.

Within Latin America, Colombia and Chile have been moved up in Capel's list to overweight, on the basis that both markets provide "an ettractive combination of improving economic growth and stable politics."

Kleiman International Consultants find that over the year to date, of the 65 markets tracked two have reached triple digit gains in local currency terms – Egypt by 115 per cent on privatisation and liberalisation progress and currency rebound, while Ghana rose 120 per cent on strong foreign interest.

■ Turkey

Citibank has announced the first warrant on a basket of Turkish equities. The "Citi-Bosphorous" basket is believed to be the first ever derivative product on a diversified Turkish eqmity portfolio offered to both local and international investors.

Citibank says that the basket includes 10 important Turkish stocks, representing about a third of Istanbul's composite index in terms of market capitalisation and trading volume. Listed on the Luxembourg Stock Exchange, the warrant has e one-year maturity.

News round-up

■ Investment trust

Foreign & Colonial Emerging Markets Investment Trust has said that it has had firm intentions from more than 30 institutions for its new issue of C shares. A cap for the issue has been set at £115m, against an initial target of £70m. A further 30m shares will be available to the public with the offer for subscriptions closing on November 14 and dealings to begin on November 18.

■ Indian GDRs

The London Stock Exchange has listed its first Global Depository Receipts in India-based East India Hotels, *writes Norma Cohen*. The company, listed on the Calcutta, Bombay and Delhi stock exchanges, is a leading owner and operator of four- and five-star hotels. Merrill Lynch is sponsor to the GDRs.

GDRs for two other Indian companies, Shiram Industrial Enterprises, a manufacturer of food oils and JK Corporation, the country's largest copier and airmail paper manufacturer, will begin trading in London on October 31.

■ Russia

Russiamoney, a screen-based English language information service specialising in the analysis of Russia's emerging capital markets, has been launched on the Bloomberg financial markets service. Russiamoney, a joint venture between Emerging Money and the Moscow-based Investment & Analysis Centre, will initially provide weekly comment and analysis of specific investment themes. From January 1995 there will be daily reports and comment on the Russian currency, bond and equity markets.

■ Japan

The Tokyo stock exchange is to relax listing requirements for foreign companies, maybe before the year-end, in an effort to persuade Asian companies to trade.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page*

Baring Securities emerging markets indices

Index	21/10/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	186.26	-2.55	-1.35	-3.38	-1.78	+17.87	+10.61
Latin America							
Argentina (20)	108.74	-2.53	-2.27	-6.98	-6.03	-6.64	-5.75
Brazil (21)	225.51	-17.12	-7.06	-16.23	-6.72	+85.86	+61.48
Chile (12)	228.76	+3.03	+1.34	+27.31	+13.56	+81.22	+55.05
Mexico (25)	154.57	-1.66	-1.06	-4.23	-2.66	-6.70	-4.15
Peru(16)	954.35	+28.47	+3.08	+94.01	+10.93	+378.26	+65.66
Latin America (94)	175.53	-5.25	-2.90	-4.38	-2.44	+26.29	+17.61
Europe							
Greece (18)	86.02	-0.07	-0.08	+1.16	+1.36	+2.93	+3.52
Portugal (18)	123.82	+3.49	+2.90	+3.94	+3.28	+11.69	+10.42
Turkey (21)	78.21	-8.04	-9.32	+0.55	+0.71	-83.50	-51.64
Europe (55)	101.29	-0.03	-0.03	+2.30	+2.33	-10.94	-9.75
Asia							
Indonesia (26)	153.65	-2.03	-1.31	-4.90	-3.09	-17.39	-10.17
Korea (23)	161.26	-5.66	-3.39	-1.48	-0.91	+51.56	+47.00
Malaysia (23)	236.64	-2.52	-1.05	-14.95	-5.94	-16.40	-6.48
Pakistan (11)	115.60	-2.11	-1.79	-1.62	-1.38	+3.91	+3.50
Philippines (12)	302.31	+11.18	+3.84	+20.69	+7.35	-20.17	-6.25
Thailand (25)	280.79	+8.50	+3.12	+9.82	+3.62	+17.42	+6.61
Taiwan (32)	179.08	+6.74	+3.91	-3.21	-1.76	+25.37	+16.51
Asia (152)	230.10	+1.78	+0.76	-3.29	-1.41	+8.68	+3.92

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Gawith

Dollar stays focus of market attention

Foreign exchange traders will face a familiar challenge et the start of the week: whither the dollar?

The dollar touched e post-war low of Y96.55 against the yen last Friday, and a two-year low of DM1.4880 against the D-Mark. Many analysts predict it will sink lower, but traders are nervous of selling the currency aggressively for fear of being caught short by central bank intervention.

Apart from the Bank of Japan, there has been no sign of central bank support, bnt the likelihood of this will increase should the dollar sink towards the DM1.45 level.

The main concern of the market is that the Fed has not moved quickly enough to combat rising inflationary pressures in the US. It is very difficult to forecast a dollar recovery until this perception is effectively countered and US asset markets look more ettractive.

The key figure for the market to focus on will be the release on Friday of the third quarter GDP growth rate. Economists will be looking to see to what extent tighter monetary policy this year has slowed growth. Most estimates see GDP falling towards 3 per cent, from 4.1 per cent. The employment cost index, out on Tuesday, will also be closely watched for any signs of wage inflation.

Outside of tha US, the main influence on the dollar will be the Bundesbank council, which meets on Thursday. Opinion is divided as to whether the next move in German rates is up or down. Should they cut, while US rates continue to rise, this might lend support to the dollar.

The US discount rate is currently 4 per cent, while the equivalent rate in Germany is 4.5 per cent. Some analysts believe a cross-over in US and German short-term interest rates could trigger a turnround in the dollar.

Investors will also be keeping an eye on sterling, whose fortunes have revived recently. The pound has rallied from $1.5525 to e high so far of $1.6336, a gain of over 5 per cent in fewer than seven weeks. Although the upward move was sparked largely by dollar weakness, and political risk attaching to the D-Mark ahead of the recent elections, it is supported by economic fundamentals. Inflation is at e 27-year low, growth is robust, and the balance of payments is in much better health than most analysts had predicted.

Sterling also looks good from a chart perspective. Mr Chris Dunne, analyst at Forexia, says sterling still looks very strong. He predicts that it will reach $1.65 and DM2.46 over the next few weeks.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 21, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4242.68	2608.01	1742.89	2696.88
Albania	(Lek)	163.000	100.123	66.9542	103.23
Algeria	(Dinar)	66.4324	40.8061	27.2879	42.0724
Andorra	(Fr Fr)	8.3452	5.126	3.4278	5.2851
	(Sp Peseta)	203.020	124.705	83.3928	128.575
Angola	(New Kwanza)	221547.5	136086	91003.3	140308
Antigua	(E Carr $)	4.4010	2.7033	1.8077	2.7872
Argentina	(Peso)	1.6279	0.9999	0.6686	1.0309
Aruba	(Florin)	2.9177	1.7921	1.1984	1.8478
Australia	(Aus $)	2.2255	1.367	0.9141	1.4094
Austria	(Schilling)	17.1347	10.525	7.0382	10.8518
Azores	(Port Escudo)	249.084	153	102.314	157.748
Bahamas	(Bahama $)	1.6280	1	0.6687	1.031
Bahrain	(Dinar)	0.6139	0.377	0.2521	0.3887
Balearic Is	(Sp Peseta)	203.020	124.705	83.3928	128.575
Bangladesh	(Taka)	64.3061	39.5	26.4144	40.7258
Barbados	(Barb $)	3.2784	2.0137	1.3466	2.0762
Belgium	(Belg Fr)	50.1262	30.79	20.5899	31.7455
Belize	(B $)	3.2600	2.0024	1.339	2.0645
Benin	(CFA Fr)	834.520	512.604	342.789	528.512
Bermuda	(Bermudian $)	1.6280	1	0.6687	1.031
Bhutan	(Ngultrum)	51.0883	31.3807	20.9789	32.3421
Bolivia	(Boliviano)	7.6028	4.67	3.1229	4.8149
Botswana	(Pula)	4.3358	2.6632	1.7809	2.7459
Brazil	(Real)	1.3855	0.851	0.5691	0.8774
Brunei	(Brunei $)	2.3997	1.474	0.9857	1.5197
Bulgaria	(Lev)	108.477	66.4085	43.7567	67.4881
Burkino Faso	(CFA Fr)	834.520	512.604	342.789	528.512
Burma	(Kyat)	9.2745	5.6968	3.8096	5.8736
Burundi	(Burundi Fr)	387.950	238.299	159.355	245.693
Cambodia	(Riel)	4216.81	2590.18	1732.11	2670.56
Cameroon	(CFA Fr)	834.520	512.604	342.789	528.512
Canada	(Canadian $)	2.2055	1.3547	0.9059	1.3967
Canary Is	(Sp Peseta)	203.020	124.705	83.3928	128.575
Cp. Verde	(CV Escudo)	135.421	83.1824	55.6257	85.7637
Cayman Is	(CI $)	1.3500	0.8292	0.5545	0.8549
Cent.Afr. Rep	(CFA Fr)	834.520	512.604	342.789	528.512
Chad	(CFA Fr)	834.520	512.604	342.789	528.512
Chile	(Chilean Peso)	668.701	410.75	274.677	423.497
China	(Yuan)	13.8881	8.5295	5.7039	8.7942
Colombia	(Col Peso)	1368.62	840.799	562.259	866.89
		1.0265o	0.6304	0.4215	0.6499
CIS ǂ	(Rouble)	4846.45m	3039.36	2031.81	3132.65
Comoros	(Fr)	625.197	384.021	256.803	395.939
Congo (Brazz)	(CFA Fr)	834.520	512.604	342.789	528.512
Costa Rica	(Colon)	260.083	159.758	106.832	164.714
Côte d'Ivoire	(CFA Fr)	834.520	512.604	342.789	528.512
Croatia	(Kuna)	8.9362	5.4894	3.6702	5.6587
Cuba	(Cuban Peso)	1.6280	1	0.6687	1.031
Cyprus	(Cyprus £)	0.7479	0.4593	0.3072	0.4736
Czech Rep.	(Koruna)	44.3320	27.2309	18.2096	28.0756
Denmark	(Danish Krone)	9.5190	5.847	3.91	6.0284
Djibouti Rep	(Djib Fr)	289.684	177.936	118.991	183.46
Dominica	(E Carib $)	4.4010	2.7033	1.8077	2.7872
Dominican Rep	(D Peso)	22.2495	13.6667	9.1392	14.0906
Ecuador	(Sucre)	3709.88o	2278.8	1523.86	2349.51
		3609.39a	2165.64	1441.52	2222.54
Egypt	(Egyptian £)	5.5277	3.3953	2.2705	3.5007
El Salvador	(Colon)	14.2625	8.7607	5.8584	9.0326
Equat'l Guinea	(CFA Fr)	834.520	512.604	342.789	528.512
Estonia	(Kroon)	19.4592	11.9528	7.993	12.3237
Ethiopia	(Ethiopian Birr)	8.8020	5.4066	3.6155	5.5744
Falkland Is	(Falk £)	1.00	0.6142	0.4107	0.6333
Faroe Is	(Danish Kroner)	9.5190	5.847	3.91	6.0284
Fiji Is	(Fiji $)	2.3312	1.4310	0.9575	1.4763
Finland	(Markka)	7.4644	4.585	3.066	4.7272
France	(Fr)	8.3452	5.126	3.4278	5.2851
Fr. Cty/Africa	(CFA Fr)	834.520	512.604	342.789	528.512
Fr. Guiana	(Local Fr)	8.3652	5.1321	3.4310	5.2914
Fr. Pacific Is	(CFP Fr)	151.580	93.0958	62.256	95.9846
Gabon	(CFA Fr)	834.520	512.604	342.789	528.512

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	15.8110	9.7119	6.4945	10.0132
Germany	(D-Mark)	2.4345	1.4953	1	1.5417
Ghana	(Cedi)	1658.53	1018.75	681.261	1050.37
Gibraltar	(Gib £)	1.00	0.6142	0.4107	0.6333
Greece	(Drachma)	374.684	230.15	153.906	237.292
Greenland	(Danish Krone)	9.5190	5.847	3.91	6.0284
Grenada	(E Carr $)	4.4010	2.7033	1.8077	2.7872
Guadaloupe	(Local Fr)	8.3452	5.126	3.4278	5.2851
Guam	(US $)	1.6280	1	0.6687	1.031
Guatemala	(Quetzal)	9.3675	5.7582	3.856	5.9452
Guinea	(Fr)	1593.72	978.943	654.64	1009.32
Guinea-Bissau	(Peso)	20308.2	12474.3	8341.84	12861.4
Guyana	(Guyanese $)	230.319	141.474	94.6062	145.864
Haiti	(Gourde)	30.9700	19.0233	12.7212	19.6136
Honduras	(Lempira)	14.4907	8.9009	5.9522	9.1771
Hong Kong	(HK $)	12.5807	7.7277	5.1676	7.9675
Hungary	(Forint)	171.803	105.53	70.5701	108.805
Iceland	(Icelandic Krona)	108.362	66.5614	44.5108	68.6269
India	(Indian Rupee)	51.0683	31.3687	20.9769	32.3421
Indonesia	(Rupiah)	3536.83	2172.5	1452.8	2239.82
Iran	(Rial)	2820.50	1732.49	1158.55	1786.26
Iraq	(Iraqi Dinar)	0.8965	0.5506	0.3682	0.5677
Irish Rep	(Punt)	1.0149	0.6234	0.4169	0.6427
Israel	(Shekel)	4.9176	3.0206	2.0199	3.1143
Italy	(Lira)	2491.65	1530.5	1023.48	1577.99
Jamaica	(Jamaican $)	54.1160	33.2407	22.2287	34.2723
Japan	(Yen)	157.908	96.995	64.8626	100.005
Jordan	(Jordanian Dinar)	1.1266	0.692	0.4627	0.7134
Kenya	(Kenya Shilling)	64.2850	39.5485	26.4469	40.7756
Kiribati	(Australian $)	2.2255	1.367	0.9141	1.4094
Korea North	(Won)	3.5045	2.1526	1.4395	2.2194
Korea South	(Won)	1298.57	797.647	533.403	822.4
Kuwait	(Kuwaiti Dinar)	0.4825	0.2963	0.1981	0.3055
Laos	(New Kip)	1173.60	720.885	482.07	743.255
Latvia	(Lats)	0.8720	0.5356	0.3581	0.5522
Lebanon	(Lebanese £)	2706.55	1662.5	1111.75	1714.09
Lesotho	(Maluti)	5.7074	3.5057	2.3443	3.6145
Liberia	(Liberian $)	1.6280	1	0.6687	1.031
Libya	(Libyan Dinar)	0.4856	0.2983	0.1995	0.3081
Liechtenstein	(Swiss Fr)	2.0277	1.2455	0.8329	1.2841
Lithuania	(Litas)	6.5300	4.0049	2.6781	4.1291
Luxembourg	(Lux Fr)	50.1262	30.79	20.5899	31.7455
Macao	(Pataca)	13.0111	7.992	5.3444	8.24
Madagascar	(MG Fr)	5665.90	3480.28	2327.34	3588.26
Madeira	(Port Escudo)	249.084	153	102.314	157.748
Malawi	(Kwacha)	25.6415	15.7503	10.5325	16.239
Malaysia	(Ringgit)	4.1575	2.5537	1.7077	2.6329
Maldive Is	(Rufiya)	19.4622	11.9546	7.9943	12.3256
Mali Rep	(CFA Fr)	834.520	512.604	342.789	528.512
Malta	(Maltese Lira)	0.5801	0.3563	0.2382	0.3673
Martinique	(Local Fr)	8.3452	5.126	3.4278	5.2851
Mauritania	(Ouguiya)	206.244	126.688	84.7171	130.617
Mauritius	(Maur Rupee)	28.1501	17.2912	11.5629	17.8276
Mexico	(Mexican Peso)	5.5605	3.4155	2.284	3.5215
Miquelon	(Local Fr)	8.3452	5.126	3.4278	5.2851
Monaco	(French Fr)	8.3452	5.126	3.4278	5.2851
Mongolia	(Tugrik)	652.000	400.491	267.817	412.92
Montserrat	(E Carr $)	4.4010	2.7033	1.8077	2.7872
Morocco	(Dirham)	13.9764	8.585	5.7409	8.8514
Mozambique	(Metical)	10108.0	6208.85	4151.98	6401.52
Namibia	(S A Rand)	5.7074	3.5057	2.3443	3.6145
Nauru Is	(Australian $)	2.2255	1.367	0.9141	1.4094
Nepal	(Nepalese Rupee)	80.4405	49.4106	33.0418	50.9439
Netherlands	(Guilder)	2.7286	1.676	1.1208	1.728
N'nd Antilles	(A/Guilder)	2.9177	1.7921	1.1984	1.8478
New Zealand	(NZ $)	2.6599	1.6338	1.0925	1.6845
Nicaragua	(Gold Cordoba)	11.7034	7.1889	4.8073	7.4119
Niger Rep	(CFA Fr)	834.520	512.604	342.789	528.512
Nigeria	(Naira)	35.8160	22	14.7118	22.6827
Norway	(Nor. Krone)	10.5967	6.509	4.3527	6.711
Oman	(Rial Omani)	0.6268	0.385	0.2574	0.3969

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	49.8484	30.6194	20.4758	31.5686
Panama	(Balboa)	1.6280	1	0.6687	1.031
Papua New Guinea	(Kina)	1.8703	1.1488	0.7682	1.1844
Paraguay	(Guarani)	3125.63	1919.86	1283.85	1979.44
Peru	(New Sol)	3.6207	2.224	1.4872	2.293
Philippines	(Peso)	41.0257	25.2	16.8517	25.982
Pitcairn Is	(£ Sterling)	1.00	0.6142	0.4107	0.6333
	(NZ $)	2.6599	1.6338	1.0925	1.6845
Poland	(Zloty)	37237.3	22873	15295.7	23582.8
Portugal	(Escudo)	249.084	153	102.314	157.748
Puerto Rico	(US $)	1.6280	1	0.6687	1.031
Qatar	(Riyal)	5.9332	3.6444	2.4371	3.7575
Reunion Is. de la	(F Fr)	8.3452	5.126	3.4278	5.2851
Romania	(Leu)	2838.50	1743.56	1165.95	1797.68
Rwanda	(Fr)	216.20(2)	132.801	88.8067	136.922
St Christopher	(E Carr $)	4.4010	2.7033	1.8077	2.7872
St Helena	(£)	1.00	0.6142	0.4107	0.6333
St Lucia	(E Carr $)	4.4010	2.7033	1.8077	2.7872
St Pierre	(French Fr)	8.3452	5.126	3.4278	5.2851
St Vincent	(E Carr $)	4.4010	2.7033	1.8077	2.7872
San Marino	(Italian Lira)	2491.65	1530.5	1023.48	1577.99
Sao Tome	(Dobra)	1337.51	821.566	549.399	847.061
Saudi Arabia	(Riyal)	6.1058	3.7504	2.508	3.8668
Senegal	(CFA Fr)	834.520	512.604	342.789	528.512
Seychelles	(Rupee)	7.8827	4.8410	3.2379	4.9922
Sierra Leone	(Leone)	953.550	585.719	391.682	603.885
Singapore	($)	2.3997	1.474	0.9857	1.5197
Slovakia	(Koruna)	49.6520	30.4984	20.3609	31.4325
Slovenia	(Tolar)	194.557	119.507	79.9166	123.215
Solomon Is	($)	5.3199	3.2676	2.1881	3.369
Somali Rep	(Shilling)	4270.60	2623.22	1754.2	2704.62
South Africa	(Rand)	5.7074c	3.5057	2.3443	3.6145
		6.5039g	3.995	2.6715	4.1189
Spain	(Peseta)	203.020	124.705	83.3928	128.575
Spanish Ports in N Africa	(Sp Peseta)	203.020	124.705	83.3928	128.575
Sri Lanka	(Rupee)	79.8011	49.698	32.8971	50.4123
Sudan Rep	(Dinar)	50.6830	31.1382	20.8227	32.1044
Surinam	(Guilder)	465.447(4)	285.901	191.185	294.773
Swaziland	(Lilangeni)	5.7074	3.5057	2.3443	3.6145
Sweden	(Krona)	11.5804	7.1132	4.7567	7.334
Switzerland	(Fr)	2.0277	1.2455	0.8329	1.2841
Syria	(£)	32.1996	19.7742	13.2234	20.3879
Taiwan	($)	42.3706	26.0262	17.4043	26.8339
Tanzania	(Shilling)	848.415	521.139	348.497	537.312
Thailand	(Baht)	40.5372	24.9	16.6511	25.6727
Togo Rep	(CFA Fr)	834.520	512.604	342.789	528.512
Tonga Is	(Pa'anga)	2.2255	1.367	0.9141	1.4094
Trinidad/Tobago	($)	9.0673	5.5618	3.7327	5.756
Tunisia	(Dinar)	1.5527	0.9857	0.6377	0.9833
Turkey	(Lira)	58021.9	35640	23833.2	36748
Turks & Caicos	(US $)	1.6280	1	0.6687	1.031
Tuvalu	(Australian $)	2.2255	1.367	0.9141	1.4094
Uganda	(New Shilling)	1495.53	918.63	614.307	947.137
Ukraine	(Karbovanets)	65200.0	40049.1	26781.7	41292
U A E	(Dirham)	5.9734	3.6691	2.4536	3.783
United Kingdom	(£)	1.00	0.6142	0.4107	0.6333
United States	(US $)	1.6280	1	0.6687	1.031
Uruguay	(Peso Uruguayo)	9.0465	5.5566	3.7159	5.7292
Vanuatu	(Vatu)	183.150	112.5	75.231	115.991
Vatican	(Lira)	2491.65	1530.5	1023.48	1577.99
Venezuela	(Bolivar)	278.168	169.635	113.438	174.899
Vietnam	(Dong)	18010.4	11066.8	7400.45	11410
Virgin Is-British	(US $)	1.6280	1	0.6687	1.031
Virgin Is-US	(US $)	1.6280	1	0.6687	1.031
Western Samoa	(Tala)	4.1296	2.5367	1.6963	2.6154
Yemen (Rep of)	(Rial)	88.30a(3)	54.2353	36.2702	55.9214
Yemen (Rep of)	(Dinar)	0.6884(3)	0.4228	0.2827	0.4359
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	4138.00	2541.77	1699.73	2620.65
Zambia	(Kwacha)	1047.56	643.464	430.298	663.433
Zimbabwe	($)	13.5521	8.3243	5.5666	8.5827

Special Drawing Rights October 20, 1994 United Kingdom £0.917657 United States $1.48608 Germany DM2.23240 Japan Y145.045 European Currency Unit Rates October 21, 1994 United Kingdom £0.787030 United States $1.28325 Germany DM1.91397 Japan Y124.309

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ǂ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 31.3.94 (3) Yemeni rates for 29.4.94 (4) Surinam Guilder now a free rate. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, October 21, 1994

WORLD BOND MARKETS: This Week

NEW YORK
Tony Jackson

The US bond market is settling back into the gloomy conviction that tha Federal Reserve is going to raise rates, possibly very shortly. Last week's data on the domestic economy were too strong for comfort and in the background is a factor which could prove just as decisive, the ominous slide of the dollar.

Last week, the dollar dipped below DM1.50 for the first time this year, having started at DM1.74 in January. Against the yen it is now decisively below the Y100 mark, sliding last week as low as Y97. While the Fed disclaims any specific exchange rate targets, it must be getting close to deciding that enough is enough.

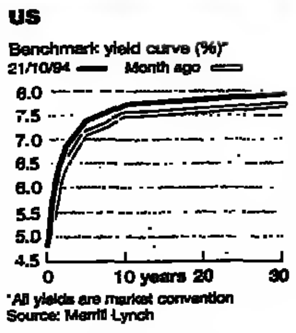
That apart, the big figure this week is US third-quarter GDP on Friday. A fall is expected from 4.1 per cent annualised growth in the second quarter to around 2.8 per cent. This would still represent growth of over 4 per cent year-on-year.

A danger signal could be the strength of consumer spending, given the level of retail sales and the rise in employment. There should be further guidance on this on Tuesday, with the figures on consumer confidence.

Other figures due are the employers' cost index on Tuesday, durable goods orders on Wednesday and money supply data on Thursday. The general picture, the market fears, could be of economic strength asking to be curbed.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON
Philip Coggan

The £2.5bn auction will be the focus of interest in the gilts market this week.

The market often weakens ahead of auctions. The new stock, which could become next year's five-year benchmark, has already weakened in pre-issue trading.

It is a quiet week for UK economic statistics, with the main event tomorrow's Confederation of British industry quarterly survey of industrial trends.

Two key indicators will be closely watched: the first is whether industrialists have succeeded in implementing their expectations of higher prices, recorded in previous surveys; the second is whether capacity utilisation has increased, a worry which was intensified by last week's British Chambers of Commerce survey.

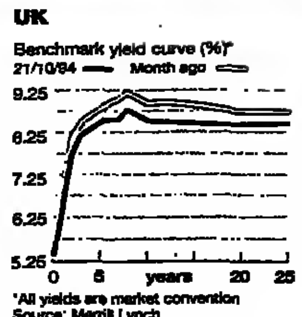
The CBI survey is one of the key indicators cited by Mr Eddie George, the governor of the Bank of England and Mr Kenneth Clarke, the chancellor of the exchequer, in their monthly monetary meetings.

Throughout 1994, the gilts market has proved unable to escape for long the influence of international hond markets.

Ms Katy Peters, senior economist at Daiwa Europe, thinks that overseas statistics, notably US third-quarter gross domestic product growth and the German consumer price index, will have the most significant effect on the UK market this week.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
Andrew Fisher

With German interest rates on hold – Thursday's Bundesbank council meeting is expected to make no changes – bond dealers are trying to extract glimmers of comfort from monetary and economic indicators.

They did not find many in Friday's M3 figures. Although they showed a continued slowdown, traders said they were higher than expected.

September's annualised growth rate was 7.7 per cent, compared with a 1994 target range of between 4 per cent and 6 per cent. However, the rise on a six-month annualised basis was a far more encouraging 2.9 per cent.

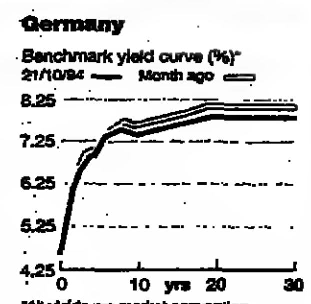
If October's west German inflation rate, which is likely to be released this week, eases to 2.9 per cent, bond prices could improve.

A further slowdown in M3 expansion would help further, since it would stimulate the hopes of those expecting the Bundesbank to cut rates by early 1995 before tightening again. However, the Bundesbank is in no hurry to move either way, especially with economic recovery accelerating.

The German economy needs no help from the Bundesbank in the short term. However, the bank is concerned about the budget deficit and structural rigidities in the economy. These are what will increasingly underlie its actions, even if inflation and wage trends do moderate.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

While tha strength in the yen is expected to support the bond market, prices are likely to fluctuate in a narrow range this week due to continued cautiousness over prospects for a sustained economic recovery.

Investors will be focused on the Bank of Japan hranch managers' meeting this week, which is likely to confirm a pick-up in oorthern and western Japan where the effects of the collapse of the asset "bubble" have been mild.

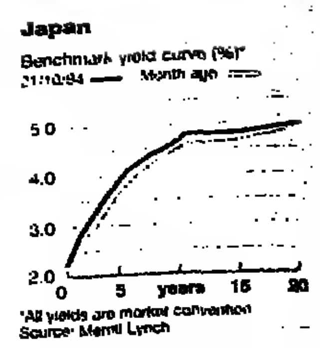
While tha bank is expected to keep short-term rates low to curb a further rise in the yen, confirmation that the economy is experiencing steady recovery may add upward pressure on interest rates.

Industrial production figures for September to be released at the end of the week are also likely to be negative for the bond markets. Although output is likely to have declined by about 1 per cent from August, it is expected to have risen by more than 2 per cent from September 1993.

"We expect production gains on a year-on-year basis to accelerate in coming months," says Barclays de Zoete Wedd in Tokyo. Inventory adjustment has largely been concluded as shown hy the drop in the ratio of inventories to shipments to its lowest level since September 1991, and growing domestic demand together with export increases will support industrial output growth this year and next, it says.

Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

Government issues

Political risk migrates across the Rhine

Following Germany's elections last week, political risk has migrated across the Rhine to France, where it is spooking bond and currency markets as the presidential alections loom.

But while the risk premium of French over German government bonds is likely to increase further, that trend is likely to be reversed after the May elections, leading to a period of out-performance by the French bond market.

The yield spread of 10-year French government bonds – Obligations Assimilables du Tresor – over Germany's bunds widened to 74 basis points on Friday from 59 a week before and eight hasis points at the start of the year.

"Althougb we still have political uncertainty in Germany, it is much reduced now that we know [Chancellor Helmut] Kohl has the majority," says Mr Troy Bowler, bond strategist at PaineWebber.

In relative terms, France has become a worse bet, he says: not only does it face the uncertainty of elections, but lt has been shaken by scandals surrounding government ministers, and by squabbling within Prime Minister Edouard Balladur's right-wing RPR over the presidential candidacy.

No candidates have formally declared themselves, but informal campaigning has begun – especially in the right-wing camp, where Mr Balladur and Mr Jacques Chirac, the RPR leader, are battling for the candidacy. Meanwhile, it is widely assumed that Mr Jacques Delors, European Commission President until year-end, will run for the Socialist Party.

The first round of voting will take place on April 23 1995, with the final polling scheduled for May 7.

If Mr Balladur runs and wins, the markets would respond well, with the current policy framework confirmed, says Mr John Hall, economist at Swiss Bank Corporation.

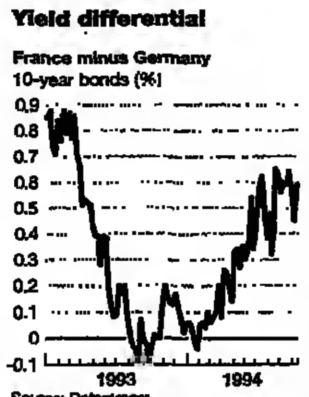
Similarly, a Delors victory would entail few risks, given his commitment to the "Franc Fort" policy, fast-track EMU and adherence to the Maastricht convergence criteria.

A Chirac win could cause greater concern, given the aggressive demands he has made for changes in policies. However, "in reality be has said little which would cbange the Frencb approacb to EMU," says Mr Hall. Moreover, recent opinion polls leave Mr Chirac looking like an unlikely candidate for the right.

Another risk factor would be early elections if President François Mitterrand's health continued to worsen, which would mean elections must be beld within 35 days – possibly too soon for Mr. Balladur to regain his political footing.

Yield differential

France minus Germany
10-year bonds (%)



Source: Datastream

Politics are not the only factor weighing on OATs: the weak US dollar has exerted heavy pressure on the franc against the D-Mark, further depressing the bond market.

Moreover, OATs tend to under-perform bunds in a bear market and out-perform them on the way up – and bunds have weakened lately.

"The direction of bunds is important for the OAT-bund spread – if they continue to sell off, that could push the spread out further," says Mr Bowler, who says the gap may widen to 100 basis points.

According to Mr Steven Major, head of bond research at Crédit Lyonnais, politics, liquidity considerations and the volatility profile of the German market favour bunds over OATs. Chart-technically, too, OATs may be vulnerable to further yield spread widening if the spread breaks out of its long-term downtrend, he warns. On the other hand, France's inflation fundamentals, its supply situation and budgetary outlook tend to favour OATs, and will support them eventually, be says.

According to Mr Dominique Barbet of Banque Paribas, France's bndgetary outlook will improve, regardless of who wins the elections.

"You don't see politicians saying they'll raise taxes or cut spending, but French market participants are saying they will have to do both," he says. He expects the yield gap to widen towards 80 basis points but to start shrinking once the presidential candidates become known in early January.

In the run-up to the elections, the market is likely to be very volatile but price action is likely to reflect electoral uncertainty rather than serious threats to French policy.

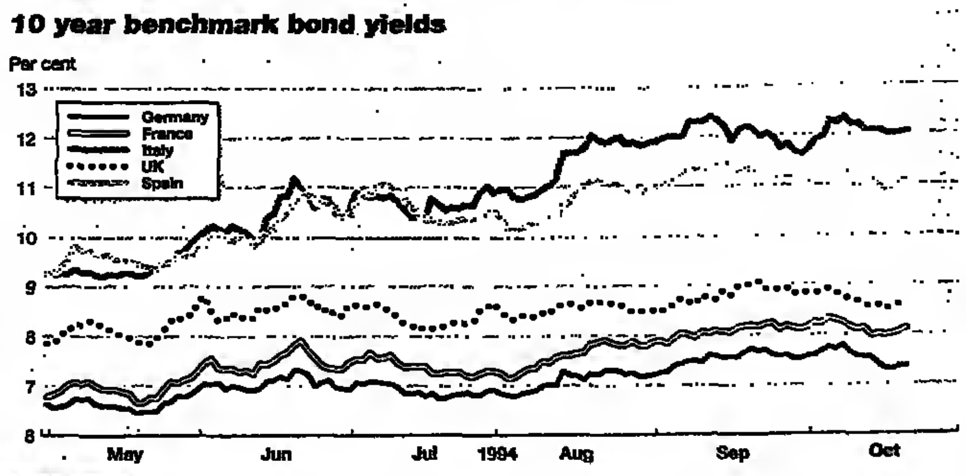
Thus, with the spread set to narrow after the elections, investors should use periods of weakness to position themselves for that contraction, says SBC's Mr Hall.

"Once the election uncertainty is removed we will probably see the OAT-bund spread rallying well," he predicts, setting a medium-term target of 30 basis points.

Conner Middelmann

10 year benchmark bond yields

Per cent



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40'	7.50	5.75²
Overnight	4.63	2.19	4.69	5.18	8.10	5.50
Three month	6.18	2.31	5.00	5.46	8.56	5.88
One year	6.78	2.75	5.48	6.12	10.00	7.25
Five year	7.45	4.07	7.08	7.79	12.21	8.51
Ten year	7.79	4.69	7.50	8.23	12.14	8.64

(1) France-Repo rate, (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97-21	97-29	+0-09	97-30	97-11	470,312	394,087
Mar	97-00	97-08	+0-08	97-10	96-23	3,946	28,036
Jun	96-07	96-20	+0-09	96-18	96-07	371	11,192

International issues

Big US players take a global view

Last week's announcement by the US Federal National Mortgage Association, or Fannie Mae, of its intention to borrow $20bn in international capital markets has introduced a significant new player on to the foreign borrowing scene.

Fannie Mae, one of the world's biggest issuers of long-term debt, has traditionally relied on US domestic capital markets for its extensive funding needs – it bas an annual requirement of around $46bn.

However, as it seeks to fund expansion of its $214bn portfolio of mortgages, lt is now turning to the global market for more diverse and cheaper sources of funding.

If other major US players follow, which is likely – the US Federal Home Loan Mortgage Corporation, or Freddie Mac, and the Federal Home Loans Bank, are also taking a serious look at the international markets – they will dwarf even the large European sovereign borrowers, who have dominated foreign horrowing over the last faw years.

Fannie Mae made its debut in the international bond markets in June with a $1.5bn offering of 10-year global debentures, at a price significantly less than would have been the case in the US market, according to Ms Linda Knight, Fannie Mae senior vice-president and treasurer.

Freddie Mac launched its own $1.5bn global issue in July and the Federal Home Loan Bank was active in the market last week with two dollar deals, a $400m fixed-rate offer and a $200m floating-rate issue.

However, Fannie Mae's announcement comes at a time of substantial change in the international capital markets. Many of the large sovereign borrowers are reducing their foreign borrowing activity, as they attempt to claw back their budget deficits and as greater economic growth boosts their tax revenues. At the same time, the upturn in the economic cycle is fuelling the appetite of many corporate and financial borrowers for more foreign borrowing.

As one eurobond syndicate manager in London said: "Apart from the obvious exceptions like Sweden, sovereign borrowing is likely to become a thing of the past as the pressures to fund decline. The obvious question then is: are the corporate borrowers going to take over?"

in the US, that is already happening to a certain extent. Ford Motor Credit, the financing arm of Ford, came to the market last week with $250m offering of five-year floating-rate notes.

GECC, the financing arm of General Electric, regularly taps the many different currency sectors of tha international capital markets – it has borrowed $4.6bn already this year, after borrowing $4.7bn last year, according to figures from Euromoney Bondware.

In the UK, where companies tend to rely more on equity than debt for capital, the rise in bond issues has been less marked.

However, there are exceptions – the Abbey National, one of the UK's largest mortgage lenders, has borrowed around $9bn in tha international public markets this year.

Last week it launcbed a $500m offering of Yankee bonds targeted directly at the US market and it intends to follow that up with a global offaring of bonds of around $1.5hn, which should be launched early next year.

The hank also has about $9bn of medium-term notes outstanding in Europa and has the potential to issue $3bn of MTNs in the US.

Italy, which horrowed around $12.8bn in 1993, according to Euromoney Bondware, has reduced that to about $8bn so far this year. This involved a yen issue in January and a multi-tranche offering later in the year made-up of D-Mark, US dollar and yen tranches. Italy needs to borrow about $10bn to $12bn this year on the international markets, according to the Italian Treasury.

The supranational institutions such as the Europaan Investment Bank and the World Bank look set to remain major borrowers.

The European Investment Bank, which raised about Ecu14.2bn over the whole of last year, has raised around Ecu11.5bn so far this year. Of this, around 75 per cent has been in EU currencies, mostly Italian lire and the remainder split evenly between D-Marks, French francs and sterling.

About 80 per cent of the issues have been in fixed-rate bonds. Treasury officials expect that further issuance this year could be in Italian lire and Spanish pesetas.

The World Bank, which last week was active in the Italian lira and Luxembourg franc sectors, and which launched both a global D-Mark and a global offering earlier this autumn, has an approximate funding target of $10bn for its current fiscal year.

The Republic of Sweden, which borrowed $11.8bn in 1993, has already borrowed $12.6bn this year and given the size of its budget deficit, looks set to maintain a sizeahle presence in the capital markets.

The Republic of Finland has also hean a major borrower this year, tapping various markets, including the US dollar, Japanese yen and floating-rate D-Mark sectors, raising a total of around $6.6bn so far in 1994.

Graham Bowley

NEW INTERNATIONAL BOND ISSUES

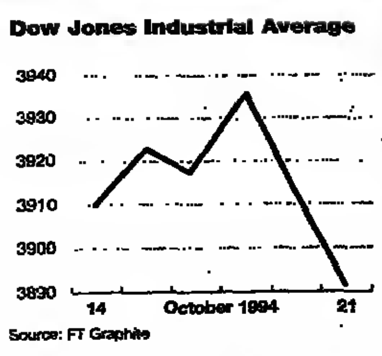
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Barlow Intl.Investments(a,a)§	75	Sep.2004	7.00	100.00	-	-	Swiss Bank Corp.
OKB(l)	400	Nov.1999	7.50	99.753R	7.561	+17(7¼%-99)	Goldman Sachs Intl.
Banco di Napoli(Ldn Brnch)‡	100	Nov.1999	(c)	99.50R	-	-	Salomon Brothers Intl.
Moscow Narodny Finance(d)‡	75	Oct.1999	(d1)	99.50	-	-	West Merchant Bank
Banco Bradesco	60	Nov.1997	9.625#	100.00R	9.625	+273(l)	UBS
MBNA MCCT II, S.1994 C(g1)‡	870	Mar.2004	(g2)	99.9375	-	-	Merrill Lynch Intl.
MBNA MCCT II, S.1994 D(h1)‡	870	Mar.2000	(h2)	100.00	-	-	Merrill Lynch Intl.
Republic of Argentina	500	Nov.1999	10.95#	99.825R	10.97	+350(W 5yr)	O'cbe/Goldman/JP Mgn
National Bank of Canada(i)‡	250	Nov.1999	(i1)	99.88R	-	-	Goldman Sachs Intl.
Exportfinans(k)	200	Nov.1999	zero	100.00	-	-	Goldman Sachs Intl.
Central Puerto & C. Neuquen	100	Nov.1997	10.75#	99.552R	10.93	+400(6½%-97)	Citibank International
BankAmerica Corp.(m)‡	500	Nov.1999	(m1)	99.935R	-	-	Goldman/ Salomon
Ford Motor Credit Co.(n)‡	250	Nov.1999	(n1)	99.757R	-	-	Goldman Sachs Intl.
Fuji Bank and Trust Co.(o)‡	53	Nov.2004	(o1)	100.50	-	-	Fuji Intl. Finance
Banco BBA-Creditanstalt‡	50	Nov.1997	(p)	99.25R	-	-	Creditanstalt
Federal Home Loan Banks	400	Nov.1996	6.875	99.833R	6.967	+5(W 2yr)	Salomon Brothers Intl.
Federal Home Loan Banks‡	200	Oct.1995	(a)	100.00	-	-	JP Morgan Securities
Samancor O'seas Fin.(u)§	100	Jun.2004	(u,s)	100.00	-	-	Swiss Bank Corp.
YEN							
Swedish Export Credit(e)	10bn	Nov.1997	(e1)	99.98	-	-	Yamaichi Intl.(Europe)
D-MARKS							
State of Baden-W'ttemberg(s)	750	Oct.2004	7.50	99.50R	7.574	+25(6¾%-04)	Goldman/ M.Stanley
Eurofima	400	Nov.1997	6.625	101.070	6.223	-	Dresdner/SBG(Deutsch.)
6ZB Bank‡	150	Nov.1999	(b)	100.10	-	-	Trinkaus & Burkhardt
National Bank of Hungary	500	Nov.2001	9.75	101.85	9.418	-	Bayerische Landesbank
Unibanco	100	Nov.1997	9.75	101.30	9.234	-	Commerzbank
BM Bank International‡	300	Nov.1997	(q)	99.925	-	-	JP Mrgn/BM Bank Lux.
FRENCH FRANCS							
Depfa Finance	2bn	Nov.1998	7.625	99.567R	7.755	+27(5¼%-98)	BNP
CANADIAN DOLLARS							
France Telecom	125	Dec.1997	8.25	100.055R	8.229	+12(l)	Paribas Capital Markets
Banque Nationale de Paris	75	Dec.2000	9.00	99.75R	9.058	+22(l)	Hambros Bank
ITALIAN LIRE							
World Bank	300bn	Nov.1997	10.625	101.135	10.17	-	Deutsche/BM Bank Lux.
European Investment Bk.(f)	200bn	Jul.1998	10.15	98.555	10.61	-	BCI/Crplo/JP Mgn/Paolo
Deutsche Bank Finance(r)	100bn	Nov.1996	11.00	101.575	10.09	-	Deutsche Bank London
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.	100	Dec.2004	10.50	101.45	10.26	-	Hambros Bank
IRISH POUNDS							
European Investment Bank(s,t)	40	Apr.1999	8.50	98.70	8.89	+35(6¼%-99)	Davy Stockbrokers
SWISS FRANCS							
Verbund. & Tauernkraft.	250	Nov.2000	5.75	102.50	5.253	-	von Ernst/C.Suisse/UBS
City of Vienna	150	Nov 1998	5.375	102.25	4.744	-	Gtrdo/von Ernst/Marrill
Govt. Asset-Backed Secs.(v,s)	100	Jan.1996	4.80	100.00	-	-	UBS
LUXEMBOURG FRANCS							
Electricité de France(l)	2bn	Feb.2000	7.75	102.50	7.14	-	BGL
European Investment Bank	2.5bn	Nov.2001	7.875	102.25	7.451	-	BIL
World Bank	2bn	Dec.2004	8.125	102.50	7.757	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ¢With equity warrants. ¤Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: R35.20. FX: 4.055R/$ (fix). Callable from 20/9/00, subject to 130% hurdle, at par. b) 6-mth Libor +30bp. max 10%. c) 3-mth Libor +37bp. d1) 3-mth Libor +1%. e) Callable on 1/11/95 at par. e1) 3.10% to 1/11/95 and 3.70% thereafter. Long last coupon. f) Fungible with L1000bn. Plus 132 days accrued. g,h) MBNA Master Credit Card Trust. g1) Class A. Expected maturity: Oct.01. Average life: 7 yrs. g2) 1-mth Libor +20bp. g3) Class B: $45m, expd mat Nov.01, ave life 7.06 yrs, 1-mth Libor +45bp. h1) Class A Expected maturity: 15/10/97. Average life: 2.97 yrs. h2) Fed funds +33bp. h3) Class B: $45m, expd mat 15/11/97, ave life 3.05 yrs, 1-mth Libor +35bp. i) Over interpolated yield. j) Increased by $50m to $250m at 99.97R. i1) 3-mth Libor +20bp. k) Redemption formula: par x 0.9557 x final GS Commodity Index(total) return + 2100.48. l) Long 1st coupon. m) Callable on any coupon date from Nov.97 at par. m1) 3-mth Libor +⅛%. n) Callable on any coupon date from Nov 98 at par. n1) 3-mth Libor +20bp. o) Callable on 4/11/97 at par. o1) 6-mth Libor +45bp to Nov.97 and 9½% fixd thereafter. o2) Capped FRN deal: $18m, Nov 04, 6-mth Libor +45bp max 10%, 100.50%. p) 6-mth Libor +275bp. q) 3-mth Libor +⅛%. r) Issue launched on 6/10/94 was increased to L300bn. s) Short 1st coupon. t) 1st IE20m was issued at 98.80%, 36bp over. u) Priced by Friday. Indicated coupon: 6⅞-7¼% & conv prem: 10-15%. Callable from 30/6/98, subject to 130% hurdle, at par. v) Actual/360 basis. w) 3-mth Libor -20bp. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK
Frank McGurty

Investors back in a wary phase



Since midsummer, interest rate jitters have waxed and waned on Wall Street with the regularity of a lunar cycle. Over a two-week period, concern over monetary policy would build up and dominate sentiment. Over the following fortnight, the fears and uncertainty would dissipate. The pattern has repeated itself several times.

This week investors are back in a wary phase. Most of the bellwether companies have already posted their third-quarter results, taking away a potent diversion. Meanwhile, the recent economic data indicate the economy is accelerating, rattling bonds.

There was news that builders had broken ground on new residential housing at the fastest pace since last December, before the harsh winter commenced and the Fed began tightening credit conditions. The spurt of construction suggested that the Federal Reserve will have to lift rates again soon to cool the economy.

A sixth boost in short-term rates is not a welcome prospect for stocks. The reporting season thus far has produced many more pleasant surprises than disappointments, but investors are wondering how long earnings can continue to grow, with borrowing becoming increasingly expensive.

The mood swing on Wall Street since last Monday morning is quite evident, even though stocks had been expected to meet technical resistance in making much headway during the week.

With most of the results out of the way the focus has shifted again to the bond market, and the picture there is not very pretty for shareholders.

On Friday, the benchmark 30-year bond yield broke through 8.00 per cent, an important marker, before receding a little. It was a red flag for equity investors who fear the higher returns will divert investment from stocks.

Though such buying might allow bonds to hold steady, further declines are not out of the question ahead of Friday's fresh estimate of third-quarter GDP. Many economists are expecting an upward revision.

The interplay between bonds and stocks is complicated by renewed weakness in the dollar. Equity investors are looking closely at the dollar's movements against the D-Mark and yen. As the US currency goes, bonds and stocks will probably follow.

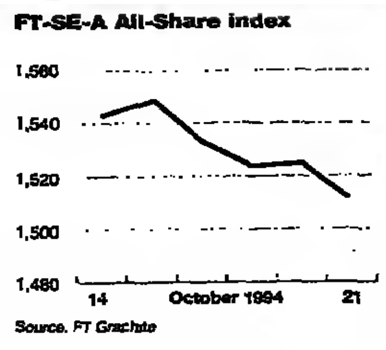
With interest rates back on centre stage, late-comers reporting quarterly results will be a sideshow.

Ford, the last of the Big Three to release, has piqued some curiosity. With Chrysler doing better than expected and General Motors a big disappointment, investors are eager to see how the number two car maker performed in the quarter.

Wall Street is also anxious to learn how Kodak fared. A cost-cutting programme implemented earlier this month suggests the company is struggling to meet its operating targets.

LONDON
Terry Byland

Final quarter promises more gains



The UK stock market is beginning to resemble last week's ill-fated press trip by the Eurotunnel express; all set up for a triumphant run, yet the train refuses to leave the station.

Bond prices have picked up, opening the way for the FT-SE 100 Index to race for those year-end 3,500 to 3,600 forecasts; but the Footsie 3,100 hurdle is hurtling away in the wrong direction.

The new problem, for the other European markets as well as London, is the US dollar. Opinions differ as to how significant dollar weakness is regarded by the Federal Reserve in its policy decisions. But the impact on the UK blue chips of concern over the US currency is clear enough.

About one-fifth of corporate earnings in the Footsie list can be designated "dollar-influenced", according to Edmond Warner at Kleinwort Benson Securities. The companies concerned range across the multinational pharmaceuticals, through the drink, consumer and engineering sectors. Next month brings trading results from BP, BAT Industries, BA, Unilever and GEC, to name but a few. All big-name, index-moving stocks impacting across the full range of the London market.

The currency alarm was sounded on Friday morning when the sterling/dollar rate moved above $1.65. Indeed, the move in the cable rate from $1.50 to $1.62, its highest level since sterling left the ERM, had already sent many London analysts back to the computers for a fresh look at earnings forecasts.

The outcome of their review is not entirely negative. Much depends on how permanent the dollar trend proves to be. Strauss Turnbull points out that a weaker dollar restrains imported inflationary pressure in the UK and that there is some statistical evidence that total returns on dollar-earners relative to the market are in fact inversely related to dollar trends.

Strauss identifies Grand Metropolitan as a company which can out-perform against dollar weakness because it buys its currency forward and, more importantly, sees servicing costs fall on its £4bn plus of dollar-denominated debt. Hanson, as might be expected, arbitrages between sterling deposits and dollar-denominated debt.

Guinness, on the other hand, shares with HSBC and Standard Chartered additional sensitivity to the Hong Kong dollar which is linked to the US currency; and Guinness does not hedge translation of profits.

The same mix occurs even in the pharmaceutical sector, clearly a target for currency worry. Glaxo does not hedge its forex position, but SmithKline Beecham buys forward.

For as long as the dollar remains weak and European investors doubt the Fed's intentions of coming to its aid, the FT-SE 100 Index will be under threat. But London market strategists will be quick to seize any opportunities among shares able to buck the trend.

International offerings

Indosat highlights faith in telecom privatisations

The enthusiasm of international investors for shares in Indosat, the Indonesian telecoms group, which rose 20 per cent in their first day of trading, has put under the spotlight one of Asia's most rapidly growing emerging markets.

It has also served to underline another significant trend: the enthusiasm of securities houses, banks and institutional investors for freshly privatised telecommunications businesses, but some analysts are questioning whether investors are becoming over-enthusiastic.

There is no doubting bankers' enthusiasm. The industry is set to bring $100bn in offerings to the global markets within the next five years and bankers can expect to earn in the region of $3bn in fees from these deals. Securities houses are gearing up for a sharp rise in telecoms offerings – increasing the size of their analytical teams is just one method.

The Indosat deal has been carried on a wave of enthusiasm which has affected other global telecom offers:

- Pakistan raised $900m when it sold 10 per cent of Pakistan Telecom. The government had originally aimed to raise just $500m.
- The value of ADRs in Telmex, Mexico's telecommunication company privatised in 1991, has increased from $27 to $60.
- The Indian government plans to sell part of its 85 per cent stake in VSNL, the international telecommunications monopoly, at a price of about Rs1,100 a share – which one banker reckoned as "35 times earnings".

Other countries planning privatisations or sell-offs include Belgium, Italy, Greece, Portugal, Sweden, Turkey and Hungary. Potential privatisations later in the decade include Brazil, South Africa and South Korea.

However, some specialists are suggesting that investors may be losing sight of the risks. "One warning sign is the almost unanimous view that telecommunications investments carry low risk," says Mr Rod Dowler, head of Technology Consulting, a specialist advisory company, and formerly head of KPMG's telecoms consultancy. "This echoes the assertion that countries cannot go broke or property is always a safe investment, that accompanied previous investment stampedes."

He warns that newly privatised companies could be artificially attractive because of their monopoly in local markets and could be hit by the emergence of competition.

The question of valuing a telecoms company has been addressed by Baring Securities, which held a seminar on the subject in Cambridge last month. Baring's model looks at the territory covered and growth potential.

This question of valuation may be highlighted by the sale of part of OTE, the Greek telecoms operator, which is due this year. At first sight it has all the attractions of an emerging market telecom company but a close examination reveals that there may be less potential for growth.

The penetration of telephone lines in Greece, at about 47 per hundred people, is not far short of the European average. Athens is not a major commercial hub, and servicing the myriad Greek islands will be expensive.

One analyst values OTE at $2.5bn to $3bn, yet the Greek government hopes it will be valued at $5.2bn. "I'm sceptical. I don't see it as a red hot deal," he said.

Another analyst says that although telecoms are one of the few utilities with good growth prospects "it is very easy to get too excited and pay silly prices".

Martin Brice and Richard Lapper

OTHER MARKETS

FRANKFURT

The Bundesbank meets on Thursday but James Capel argues that stubbornly high inflation and rising capacity utilisation argue against further rate cuts.

On the corporate front, the utilities will be in focus, with RWE holding its annual balance sheet press conference and Veba meeting analysts. UBS does not expect major financial surprises but says there is likely to be substantial information presented on the telecommunications activities and both companies should continue their strong performances on the back of these details.

PARIS

The recent fall in the French market has led brokers to reassess their year-end targets for the CAC-40 index, *writes John Pitt*.

Hoare Govett, for example, has reduced its target to 1,950 – the index closed at 1,842.09 on Friday – although the broker remains overweight in France in relation to the rest of continental Europe.

While nearly all company results are now in, a few remain, such as Accor, the hotel and travel services group, which will publish disappointing first-half results tomorrow. The company prepared investors for the worst last week, but added that second-half figures were always better.

The French hotel and leisure industry has been experiencing a difficult time, especially as the decline in consumer spending continues. Club Med and EuroDisney have been lowering their prices with mixed results; Club Med has seen occupancy rates climb after price cuts of up to 3 per cent, while the theme park operator has still failed to increase visitor numbers in spite of reducing admission charges.

The share prices have also gone in both directions – Club Med rising 20 per cent since the start of the year and EuroDisney down 53 per cent over the same period.

ZURICH

Sandoz rounds off the big three pharmaceutical stocks' nine-month reporting season tomorrow when it is expected to report consolidated sales increasing to SFr11.7bn from SFr11.5bn a year earlier. Turnover is expected to rise by about 7 per cent in local currency terms, with the strength of the Swiss franc cutting the advance in francs. Shares in Ciba and Roche have both been under pressure after their nine-month figures, with the strong franc depressing Ciba's outcome rather more than had been expected and restructuring costs at Roche leading to some earnings downgrades.

DUBLIN

Irish Permanent, Ireland's largest building society before it converted to plc status, is listed in Dublin and London on Thursday, in an otherwise quiet week. Davy Stockbrokers in Dublin note that the market is down about 3 per cent so far this year and is about 12 per cent off its January 1994 high. Mr Robbie Kelleher says that because this price weakness has occurred at a time of exceptionally strong earnings growth, the market is now trading on multiples that are at the bottom end of the range that has been experienced over the past decade, and he sees plenty of scope for price appreciation.

TOKYO

Investors are expected to remain cautious ahead of Thursday's listing of Japan Tobacco, *writes Emiko Terazono*.

Only about 10 per cent of the second round of subscribers are thought to have bought the stock, and brokers estimate that 60 per cent of the offered shares remain unsold.

This means that unless the ministry of finance decides to unload the unsold shares on to the market on Thursday, the potential number of sellers of the stock remains lower than initial expectations.

Some market participants expect that this will support investor confidence after the listing, prompting the stock market to rally.

Meanwhile, investors are also expected to remain cautious if the currency market remains volatile.

A further strengthening of the yen against the dollar could prompt a brief sell-off of high-technology stocks.

HONG KONG

The market is set to drift into another week of listless trading, marked by thin turnover, *writes Louise Lucas*.

Investors will once again take their cues from overseas, with economic data coming from China and the US continuing to spook sentiment in the colony.

At home, hints of a resolution to the financing of the new airport could be sufficient to spur the market upwards.

In the absence of corporate news, and with the reporting season now effectively wrapped up, many share price movements have been driven by little more than rumours, and these are expected to persist.

Futures are also likely to continue to be a driving force, following the pattern set last week.

Last Friday the turnover on October futures was some two and a half times that on the cash market.

Compiled by Michael Morgon

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Alba 4p
Canon Inc FRN. 1996 Y6,193
Chemical Banking Sub. FRN. '03 $282.64
Epwin Group 2.7p
Gartmore 1.75p
Gaskell 1.5p
Golden Hope Plants. M$0.02
Do. M$0.05
ITOCHU FRN '97 Y61,931
Nichols (J.N.) 2.25p
Norsk Hydro 8¾% Bds 2001 $87.50
Norway 7¼% Nts. 1998
Platinum Intl. Fin. A FRN.'03 Y1,994,520
Do. B FRN 2003 Y2,692,083
Do. A FRN. (11) '03 Y1,551,302
Sanwa Aust. Fin. Gtd. F/FRN'03 $2,659.38
Sedgwick Grp. 3p
Smithkline Beecham A.D.R $0.2914
Yokohama Fin. $3,062.50

■ **TOMORROW**
Bankers Tst.NY 0.97p
Britannia Bldg. Soc. Sub. FRN '05 £14,834.48
British Funds 9½% Conv. £4.75
CPC Intl. $0.34
General Electric $0.36
Leumi Intl. Inv. Gtd. FRN '98 $123.91
Manchester 11.5% Red. '07 £5.75
Nat. Westminster Bk $0.8424
Porvair 1.6p
Scottish Power $1.5911
Spintab AB FRN 1998 $13.90
Woolwich Bldg. Soc. FRN '96 £142.42

■ **WEDNESDAY OCTOBER 26**
Australia 11⅜% 2015 £284.375
BLP Group 1p
Brasway 0.29p
Bristol & West Bldg. Soc. FRN '96 £136.42
Co-operative Bk. Sub. FRN 2000 £69.32
Italy Global FRN 1999 $12.46
Kingspan Grp. IR1.2p
Korea Intl. Merch. Bk. FRN '99 $789.93
Lloyds Bank Var. Rate Sub. Nts.'98 £146.36
Mitsubishi Petro. 4% Bds. '98 Y101,111
Do. 4.55% Bds. '01 Y115,014
Murray Income Tst. 4.3p
Nurdin & Peacock 2.16p
RPS Grp. 1.3p
Saville (J.) Gordon 1.7p
Second Alliance Tst. 29p
TT Grp. 3.2p
Woolwich Bldg. Soc. FRN '95 £68.21

■ **THURSDAY OCTOBER 27**
Bank Novia Scotia C$0.29
British-Borneo Pet. Synd. 2.667p
Brit.Funds 15% Exchequer '97 £7.50
Do. 4⅝% I.L Treasury '98 £2.4233
BZW Conv. Inv. Tst. 3.3p
Candover Invs. 4.15p
Church & Co. 3p
Conrad Ritblat Sinclair 0.5p
Culver Hldgs. 0.13p
Cussins Property 1.4p
Dowding & Mills 1.62p
Eng. & Overseas Props. 0.3p
Fin. Receivables Sec. Trans.1 FRN '09 £1,917.98
Do. Senior Asset-Backed FRN '09 £849.51
Fin. Receivables Sec. Trans.2 FRN '05 £1,917.96
Do. Senoir Asset-Backed FRN '05 £2,065.39
Heywood Williams 5p
Inv. Tst. Guernsey 0.825p
Jacobs (John I.) 0.25p
Lambert Howarth 2.25p
Midland Independant News. 1.1p
Nelson Hurst 2.2p
Psion 1.1p
Royal Bk. Can. Cap. Part. Red.Pref. $0.04
Standard Chart. 2.25p
Stewart & Wight 135p
Telspec 1.2p

■ **FRIDAY OCTOBER 28**
Alumasc 4.45p
American Trust 1.9p
Aspen Comms. 2.15p
Barr & Wallace Arnold Trust 3p
Bradford & Bingley Bldg. Soc. FRN '95 £144.41
Breedon 1.75p
British Mohair 1.4p
CALA 1.9p
Can. Imperial Bk. Comm. C$0.33
Can. Pacific C$0.08
Chelt. & Glouces. Bldg. Soc. 11¾% PIBS £2,837.50
Close Bothers 5p
Clyde Petroleum 0.35p
Daiwa Overseas Fin. Cappd. FRN '04 $13,576.39
Dartmore Inv. Trust 2.8p
Davis Service 2.87p
Devro Intl. 2.35p
Dow Chemical $0.65
Eaglet Inv. Trust 1.4p
Ferry Pickering 2.2p
Flash Series FRN '97 Y611,121
Fleming Overseas Inv. Trust 2.75p
Flying Flowers 0.95p
Foreign & Col. High Inc. 1.5p
Hodder Headline 2p
Lister 0.1p
London Forfaiting 3.2p
Matthews (Bernard) 1.32p
McDonnell Info. Systems 2.3p
Menzies (J.) 7.7p
Metalrax 1p
Molins 5.3p
Nestor-BNA 1.15p
Newman Tonks 2.75p
Norbain 2.25p
Pall $0.0925
Pegasus 2p
Ransomes 8.25p Cm. Cv. Pf. 4.125p
Rotork 1.9p
Severfield-Reeve 0.5p
Smaller Companies Inv. Tst. 1.2p
Swallowfield 2.7p
Trinity Intl. 3.3p
Wyko 0.5p

■ **SATURDAY OCTOBER 29**
Radius 0.35p

■ **SUNDAY OCTOBER 30**
Attwvods (Finance) Rd. Pf. 4.25p
Texaco Intl. Fin. 8% $/$ Cv. Ln. 81/99 £4

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Baring Emerging Europe Trust, 155 Bishopsgate, E.C., 10.30
G.T. Japan Investment Trust, Alban Gate, 14th Floor, 125 london Wall, E.C., 12.30
Murray Income Trust, The Marriott Hotel, 500 Argyle Street, Glasgow, 12.30
BOARD MEETINGS:
Finals:
Gartmore European Inv. Tst.
Ivory & Sime Ent. Cap.
Interims:
British & American Film
Cullens
Guardian Media
Moss Bros

■ **TOMORROW**
COMPANY MEETINGS:
Enterprise Computer Hldgs., 680 Eskdale Road, Winnerish Triangle, Wokingham, Berks., 3.00
Henderson EuroTrust, 3 Finsbury Avenue, E.C., 3.30
Nm Smaller Australian Companies Trust, 3 Finsbury Avenue, E.C., 11.00
Saville (J.) Gordon Group, Birmingham Chamber of Industry & Commerce, 75 Harborne Road, Birmingham, 11.00
BOARD MEETINGS:
Finals:
McKechnie
Scottish Metropolitan
UDO Hldgs.
Wolseley
Interims:
Blacks Leisure
Boxmore Int.
Bradford Property Tst.
Edinburgh Inv. Tst.
El Oro Mining Exploration Co
Govett Oriental Inv. Tst.
Ocean Wilsons
Olives Property
Venturi Inv. Tst.

■ **WEDNESDAY OCTOBER 26**
COMPANY MEETINGS:
British Data Management, 50 Stratton Street, W., 9.30
CALA, The Merchant Company, 22 Hanover Street, Edinburgh, 10.00
Jos Hldgs., 10 Fenchurch Street, E.C., 12.30
Sindall (William), Gonville Hotel, Cambridge, 10.00
BOARD MEETINGS:
Finals:
BM
Blackwood Hodge
CentreGold
Essex Furniture
Murray Split Cap. Tst.
Trace Computers
Interims:
Fleming Contl. Euro Inv. Tst.
Fleming Euro Fledgling Inv. Tst.
Gieves
London Smaller Co's Inv. Tst.

■ **THURSDAY OCTOBER 27**
COMPANY MEETINGS:
Beazer Homes, The Guildhall, Bath, Avon, 2.00
Close Brothers Group, 12 Appold Street, E.C., 10.00
Dowding & Mills, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 12.00
Rubicon Group, Ironmongers' Hall, Aldersgate Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Fleming Japanese Inv. Tst.
London & St. Lawrence
Majedie Inv.
Pressac
Interims:
Broadcastle
Country Casuals
DAKS Simpson
Fleming Inc. & Cap. Inv. Tst.
Gerrard & National
I & S UK Smaller Co's Tst.
London & Metropolitan
McInerney Properties
Scottish Mortgage Tst.
Shiloh

■ **FRIDAY OCTOBER 28**
COMPANY MEETINGS:
Cornwell Parker, The Waldorf Hotel, Aldwych, W.C., 12.30
Great Universal Stores, Chartered Insurance Institute, 20 Aldermanbury, E.C., 12.00
BOARD MEETINGS:
Interims:
Campari Int.
Craig & Rose
Gresham House
Ramco Energy
Union Int.

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

OCTOBER 27
Electromagnetic Transmissions
Sir Richard Doll, Chairman of the Advisory Committee to the NRPB on non-ionizing radiation & leading international scientists, insurers and legal representatives will be debating the latest evidence on health risks associated with electromagnetic transmissions from power cables.
Contact: Sarah Morris, BICS International
Tel: 071 336 7703
LONDON

OCTOBER 27 & 28
International Bond Congress
A unique opportunity for all professionals involved in the bond markets to increase their knowledge with 98 specialist presentations. With increasing globalisation and deregulation resulting in a dramatic surge in investment flows between countries, this event is an essential information source for the international bond markets.
Contact IBC Event Office
Tel: +44 (0) 1628 776306
Fax: +44 (0) 1628 32323
BARBICAN, LONDON

NOVEMBER 1
Full Circle Into The Future?
The commercial imperatives facing organisations into the 21st Century.
The Henley Centre is celebrating its Twentieth Anniversary with this Conference that looks forward to the next 20 years and what it will bring not only in terms of the big picture but also the commercial implications.
Cost: £350 + VAT
Contact: Anna Harman at
The Henley Centre Tel. 071 353 9961
LONDON

NOVEMBER 2 & 10
Banking Systems Seminars
These seminars are designed to provide an insight into the underlying issues and complexities associated with the implementation of banking systems. Extensive reference will be made to practical examples and case studies.
Contact: Jenny Hills
Tel: Freephone 0500 295389
LONDON

NOVEMBER 2-4, 28 - DEC 2
Introduction to Derivatives
Currency & Interest Rate Swaps & Options, FRAs, Swaptions, Equity & Commodity Derivatives, Risks. £675.
Introduction to Credit Analysis
Profit & Loss Account, Balance Sheet, Cashflow, Projections, Credit Evaluation Ratios and Debt Service. £775.
Contact: Fairplace Banking & Financial Training
Tel: 071 329 0595
LONDON

NOVEMBER 3
The 1st Annual Review of IT Law
This prestigious one day conference will have the leading speakers, cover the critical issues, the essential developments, law, litigation, regulation and policy. It will have a practical approach for practitioners.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623
LONDON

NOVEMBER 3
FT Corporate Risk Management & The Insurance Industry
This FT conference will examine the changing role of brokers, insurers and risk managers as well as explore how the international insurance industry is responding to the new challenge.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

NOVEMBER 3-4, 22-24
Understanding the World of Banking
For new entrants, secretaries, IT and other bank support staff. £375.
Documentary Credits & Trade Finance
The essential products, techniques and practices of International Trade Finance. £495.
Contact: Fairplace Banking & Financial Training
Tel: 071 329 0595
LONDON

NOVEMBER 7
The Future of Multimedia in Europe
How is the European market for multimedia shaping up? The critical sectors and entry opportunities of the multimedia world in a European context - including the development of national infrastructure, business applications, consumer platforms and finance - will be examined in depth by industry leaders.
Contact: Patricia Baynton, Kagan World Media Limited
Tel: 071 371 8880 Fax: 071 371 8715
LONDON

NOVEMBER 9
Presentations for Professionals by Professionals
At the Mermaid Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact: E Williams, Executive Presentations
Tel: 071 837 8199 Fax: 071 837 8190
LONDON

NOVEMBER 10-11
Hotel Investment & Tourism Development in Central & Eastern Europe & the Central Asian Republics
Investment opportunities in 15 countries and how to finance them. The unmissable one-stop event for established investors and those exploring the market.
Brings together the key players from East and West. Conference subjects presented by 30 speakers.
Contact: Development Journal
Fax: (081) 440 3227
LONDON

NOVEMBER 15-16
The Business Continuity Planning Summit
New style participatory event for financial institutions run in association with KPMG. Examine vital new developments with speakers from British Telecom, Guardian, Rolls Royce, Telehouse, Deaton Hall, Safetynet, Midland Bank.
Attend on 15th or 16th.
Contact: JANET WOJTECKI, PEI
Tel: 0564 703993 Fax: 0564 703003
LONDON

NOVEMBER 15
Winning with your customers - How to grow your customer base
Speakers will stress the importance and inter-relationship of key elements of the customer service "package". Case studies from DHL International, Marriott Hotels, National & Provincial Building Society and American Express.
Contact: Director Conferences
Tel: 071 730 0022
LONDON

NOVEMBER 15 & 16
Strategies for High-Involvement Leadership
Controlling change; concentrating on high pay-off activities; creating partnerships; strengthening trust; motivating and enhancing team performance; and stimulating innovation. These are some of the issues included in this interactive briefing designed to train executives to operate effectively in empowered organisations.
Contact: Rachel Thomas/Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
ASHDOWN PARK

NOVEMBER 15/16
Practical Dealing course - Money Market
Training in traditional Cash market dealing and short term derivatives (Futures and FRAs) - risk identification and evaluation, product pricing, position management - with opportunities to test theories learnt in dealing role-play and other practical exercises. For Corporate treasury personnel, bank dealers, marketing and support staff. £480.00 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

NOVEMBER 15-16
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicability of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 16
Brazil: Prospects for trade and investment
A one day seminar designed to give an overview of key cultural, institutional, investment and economic issues surrounding trade with Brazil. Supported by the Banco do Brasil, UK Embassy of Brazil and DTI.
Contact: Management Development Division
Tel: 0524 594013 Fax: 0524 381454
LANCASTER

NOVEMBER 16-17
Monitoring and Reducing Air Pollution from Traffic
This BICS International conference examines the problem of air quality in its entirety, tackling the opportunities for reducing vehicle emissions levels and examining the role of traffic management in pollution reduction.
Chaired by Professor Roy Harrison, QUARG on Day One and Daniel Instone, Department of Transport on Day Two.
Contact: Nia Wyn Owen, BICS International
Tel: 071 336 7944
LONDON

NOVEMBER 16/17
The Digital Information Revolution
Market Opportunities for Multimedia created by the Superhighway
A major high-level, interactive Industry/Government Conference, providing the first opportunity for senior representatives from commerce and industry to address the key issues with Government participation in so open forum.
Contact: Julia Moulton, Status Meetings
Tel: 01730 266544
LONDON

NOVEMBER 18
New Techniques for Venture Capital
Key topics include: Reinvestment Relief; Limited Partnerships in Venture Capital; Tax Efficient Management Buyouts; Innovative and up to the minute Capital Gains Tax Planning Ideas; The Enterprise Investment Scheme and; Raising money for Private Equity Funds.
Contact: Kate Roberts, IBC Legal Studies and Services Limited
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 19-20
The National Classic Motor Show
The 'Friendly' Classic Car Show, where the car clubs take centre stage. Massive Indoor Autojumble, Car Club Displays, Rally Mini Cooper S rebuild and a Special Stage of the Millers Oils RAC International Historic Rally (20th only). Roger Clark, Britain's most famous rally driver, will officially open the show.
Ticket Hotline: 0121 767 4767
Enquiries: Roger West - Centre Exhibitions
Tel: 0121 767 2683
NEC, BIRMINGHAM

NOVEMBER 21-22
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
24 hr Fax-on-demand 071 240 1248
UNIVERSITY OF WARWICK

NOVEMBER 23
Negotiation and Change - Employee Relations in the Regulated Industries
This CRI seminar examines the changing employment structures, pay incentives and flexibility since privatisation and compares the national with international perspectives. Speakers from the CBI, TUC, GMB, Mercury Communications and Eastern Electricity. Cost £299 + VAT.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825
LONDON

NOVEMBER 23
The Private Finance Initiative: The Latest Opportunities for the Private Sector
A one day conference. Speakers include 11 Government Ministers (Messrs Dorrell, Gummer, Lang, Redwood, Eggar, Forsyth, Porth, Freeman, Watts, Young and Sackville); senior industrialists and specialist advisers.
Contact: City & Financial Conferences
Tel: 0276 856966 Fax: 0276 856566
LONDON

NOVEMBER 24
Management Buyouts - The Corporate Restructuring Tool of the 90s
Essential for the MBO team, this conference will cover: MBO practicalities; the corporate advisers role; structuring the deal; debt and beyond; Employees - transferring and motivating - understanding the law; doing the deal and; tax implications for managers.
Contact: Kate Roberts, IBC Legal Studies and Services Limited
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 24
Israel - Trade & Investment in an Emerging Market
International conference in association with Israeli Embassy. KEYNOTE SPEAKER YOSSI BEILIN. Topics cover the Economy, Investment, Privatisation Opportunities, Major Capital Projects and Case Studies.
INTERFORUM
Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

NOVEMBER 24/25
Differentiating Customer Proposition
CBI/Develin & Partners conference, chaired by John Humphrys, shows how to transform Key business processes to deliver cost efficiencies and market differentiation. (Optional workshop on second day).
Contact: Belinda Rogerson, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
Julia Robins, Develin & Partners
Tel 071 917 9988
LONDON

NOVEMBER 24/25
FT Manchester Postgraduate Fair
This is the first postgraduate fair to be held in Manchester. This fair will provide exhibitors with a unique opportunity to attract the highest calibre of students for postgraduate courses. Booking deadline for exhibitors - October 21.
Contact: Kay Day at Manchester
Tel: 061 275 3952
MANCHESTER

NOVEMBER 24 & 25
Offshore Trust Administration/ Offshore Trusts & Trustees
IFC have arranged two one-day conferences on related aspects of the offshore world, which compliment each other perfectly, but which can be attended separately if desired.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623
LONDON

NOVEMBER 24-25
Multimedia - Conflict or Co-Operation? A European View
The current perspectives, practical problems, legal & market pressures in production, distribution & marketing. Top speakers from all aspects of the Industry. Keynote address Nicholas Winterton MP.
INTERFORUM
Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

NOVEMBER 28 & 29
City Intensive Seminar
Sponsored by THE CORPORATION OF LONDON and KPMG, this briefing covers the structure, markets, flow of funds, regulation and world position of the City. Designed for recent entrants, corporate finance and treasury staff and overseas financial executives.
Contact: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

NOVEMBER 28-29
Strategies for Buying & Selling Companies
The past year has witnessed an increase in M&A activity, unparalleled since the mid-80s. This conference will cover the strategic, legal, tax and accounting issues that need to be considered when buying or selling a public and/or private company.
Contact: Acquisitions Monthly
Tel: 0171 823 8740 Fax: 0171 581 4331
LONDON

NOVEMBER 29 & 30
Positive Management of Workforce Restructuring
Seminar and Workshop. There is no easy solution to the problems of workforce restructuring. But managed with skill, the impact on the company and those who must leave can be massively reduced. This workshop is designed to illustrate through practical case study material how to manage restructuring positively.
Contact: Rachel Thomas/Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 29-30
Managing Corporate Transformation:
The UK's premier event on planning, implementing and sustaining organisational and cultural change. This two-day conference includes frank discussion of why so many initiatives fail and explores proven methods for achieving critical buy-in and support for new organisation structures and working practices.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 29-30
Data Warehousing: Practical Experience & Lessons for the Future
Building the smart corporation, driving effective business process re-engineering projects, unlocking the most valuable of corporate assets. Learn how many of the world's most competitive corporate players have used the data warehouse concept to achieve a strategic corporate advantage.
Contact: Unicom Seminars Ltd
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

NOVEMBER 29-30
Integrating Client-Server and Legacy Systems
Advice on architectural alternatives, products/tools, middleware, and which standards are important for the future. Draws on a wealth of experience from real-life user sites where important lessons have been learned for achieving more effective solutions in the future.
Contact: Unicom Seminars Ltd
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

NOVEMBER 29-30
The New Desktop: Trends in Distributed Computing
The new generation of desktop environment looks set to bring real benefits and savings to large user organisations. Authoritative speakers review advances in hardware architecture, assess approaches to integrated networking and examine the expanding applications and capabilities of desktop systems.
Contact: Unicom Seminars Ltd
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

DECEMBER 1
Internationalisation: Power & Energy Services. The Business Opportunities for UK Companies
Key speakers from Industry and commerce, will outline current and future strategies for maximising the potential of the world industrial power market.
Details from: Judith Mackenzie, The Institute of Energy, 18 Devonshire Street, London W1N 2AU
Tel: 0171 580 0008 Fax: 0171 580 4420
LONDON

DECEMBER 1
City Regulation - A Legal Evolution
This conference will debate the development and future of financial regulation in the UK. The growing use of civil law procedures, regulatory intervention, and reduction in criminal sanctions - define a legal evolution at the interface of the criminal, civil and regulatory disciplines. Sponsors: Butterworths Publishers. Contact: Caroline Sumner, Meetings Management
Tel: 01252 795414 Fax: 01252 792101
LONDON

DECEMBER 7
The Coming Year in Parliament
An assessment of the Queen's Speech, views from the Government and the Opposition. Discussion of the role played by backbench MPs and Peers; The Budget; the agenda for Select Committees; and implications for Europe.
Contact: Jackie Nixon, The House Magazine
Tel: 071 233 1388
LONDON

DECEMBER 7-8
Succeeding with Teams:
practical strategies for designing, implementing and driving the team-based organisation. An international two-day conference specifically designed to help senior executives understand the fundamental issues involved in designing and implementing a team-based organization.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

EXHIBITION

MARCH 1-3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited
Tel: +44 (0) 1895 625194
Fax: +44 (0) 1895 624447
EARLS COURT, LONDON

INTERNATIONAL

NOVEMBER 8-9
European Union Aid for Development Conference
Business Opportunities in EC external aid projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement opportunities for manufacturers/suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

NOVEMBER 14 & 15
FT Doing Business with Hungary - Investment Prospects Re-Appraised
Following the election of a new Government, this major Financial Times forum will provide a timely opportunity to appraise Hungary's attractiveness as a location for foreign and portfolio investment.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
WARSAW

NOVEMBER 24 & 25 1994
Profit without Pain
This conference will increase awareness of the scope of IP rights, explain how industries compete within the context of market monopolies, give practical insights into how to avoid infringing rights.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623
AMSTERDAM

NOVEMBER 24
Advanced Software Solutions in Transportation and Distribution
Seminar for business and technical managers showing use of practical applications of logic programming software in the transportation and distribution markets. Leading international companies present state-of-the-art systems. Includes panel discussion and vendor displays.
Contact: Philip Kay, tel: +33 1 6019 3738
Al Roth, tel: +44 253 358081
PARIS

DECEMBER 5-6
COMPETITIVE INTELLIGENCE
Seminar for managers who want to learn how Competitive Intelligence supports both operational effectiveness and strategic positioning. Topics include aims and role of intelligence in firms, collection methods, analytical techniques, organisation, and counter-intelligence. Principal lecturers are former professional intelligence officers.
Contact: Business Research Group
Tel: 022 929 1900 Fax: 022 788 0824
GENEVA

JANUARY 26 & 27 1995
Valuing International Companies
This event is held in response to ever increasing pressure to place realistic values on foreign companies in a variety of contexts. Company executives, bankers and other professionals will study valuation techniques in practice, as well as possible problems encountered in real life scenarios.
Contact: Acquisitions Monthly
Tel: 0171 823 8740 Fax: 0171 581 4331
LONDON

TO ADVERTISE IN THIS SECTION PLEASE CALL NADINE HOWARTH ON 071-873 3503

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 21 / Sch)

BELGIUM/LUXEMBOURG (Oct 21 / Frs.)

DENMARK (Oct 21 / Kr)

FINLAND (Oct 21 / Mks)

FRANCE (Oct 21 / Frs.)

GERMANY (Oct 21 / Dm.)

ITALY (Oct 21 / Lire)

NETHERLANDS (Oct 21 / Fls.)

NORWAY (Oct 21 / Kroner)

SPAIN (Oct 21 / Pts.)

SWEDEN (Oct 21 / Kronor)

SWITZERLAND (Oct 21 / Frs.)

PACIFIC

JAPAN (Oct 21 / Yen)

AUSTRALIA (Oct 21 / Aust$)

HONG KONG (Oct 21 / H.K.$)

MALAYSIA (Oct 21 / MYR)

SINGAPORE (Oct 21 / S$)

NORTH AMERICA

CANADA

TORONTO (Oct 21 / Can $)
4 pm close

MONTREAL (Oct 21 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Oct 21 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). 4 Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3148. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. [illegible] UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Friday, October 21, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Mining	6.9m	443	+5	Konica	4.0m	765	+3
Sumitomo Mtl	6.2m	350	-5	Kawasaki Steel	3.8m	448	+2
Nippon Steel	6.1m	390		Kobe Steel	3.3m	319	+2
NKK	4.6m	290	-4	Kawasaki Kisen	3.1m	402	-8
Ishihara Sangyo	4.2m	444	+12	Nissan Motor	2.9m	852	+9

INDICES

US INDICES

Utilities	179.67	180.00	181.58	227.05 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3921.50 (3954.89) Low 3861.35 (3873.13) (Theoretical♦)
Day's high 3911.15 (3941.70) Low 3884.23 (3894.66) (Actual♦)

Standard and Poors							
Composite ‡	464.89	465.85	470.28	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.93	555.32	558.79	569.83 (15/9)	510.05 (21/4)	580.83 (15/9/94)	3.62 (21/6/32)
Financial	42.92	43.14	43.59	48.94 (14/6)	41.39 (4/4)	48.40 (25/9/93)	8.64 (1/10/74)
NYSE Comp.	255.59	256.54	258.32	267.71 (3/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	458.35	457.76	458.26	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	765.38	768.24	770.62	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 14	Oct 7	Sep 30	Year ago
Dow Jones Ind. Div. Yield	2.71	2.79	2.78	2.81
	Oct 19	Oct 12	Oct 5	Year ago
S & P Ind. Div. yield	2.36	2.37	2.43	2.42
S & P Ind. P/E ratio	21.11	20.91	20.33	28.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	467.30	465.75	-1.85	467.60	464.00	87,535	217,519
Mar	469.50	466.85	-1.85	470.00	467.30	2,808	11,640
Jun	-	472.70	-1.40	-	470.70	375	2,811

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	1854.0	1851.0	-23.0	1854.8	1836.0	25,025	26,844
Nov	1864.0	1858.5	-23.5	1869.5	1846.0	7,298	2,217
Dec	1873.0	1868.0	-23.0	1875.5	1860.0	1,208	25,415

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Gen Motors	18,456,400	41¼	-1¼
Gen Elec	5,089,100	47¼	-1¼
Centerior	4,349,100	8⅞	+⅛
Ford Motor	3,621,400	28⅞	+⅛
Comm Psyc.	3,443,000	9⅝	-2⅝
IBM	3,361,300	74⅛	-⅜
Chase Man	3,313,800	35⅛	-⅛
McDonalds	3,017,500	27⅞	+½
AT & T	2,780,400	54½	+¼
Promus	2,737,900	29⅝	-1

■ TRADING ACTIVITY

● Volume (million)

	Oct 21	Oct 20	Oct 19
New York SE	309.335	326.093	316.698
Amex	14.969	19.547	18.523
NASDAQ	[illegible]	333.906	316.311
NYSE			
Issues Traded	2,887	2,879	2,893
Rises	1,288	690	1,112
Falls	1,288	1,493	1,910
Unchanged	773	696	783
New Highs	22	40	50
New Lows	124	99	80

— Sat Oct 15: Taiwan Weighted Price 6895.47; Korea Comp Ex 1096.48. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index Oct 21 - 2018.60 -31.55

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1347	+0.0151	254 - 440	17.2021	17.0882	17.1304	0.3	17.1185	0.4	-	-	115.6
Belgium	(BFr)	50.1262	+0.0887	782 - 741	50.1750	49.9760	50.0912	0.8	50.0212	5.8	49.6312	1.0	117.3
Denmark	(DKr)	9.5190	+0.0058	136 - 243	9.5323	9.4956	9.5142	0.6	9.533	-0.8	9.5825	-0.5	117.4
Finland	(FM)	7.4844	-0.0065	540 - 748	7.5100	7.4140	-	-	-	-	-	-	88.8
France	(FFr)	8.3452	+0.0071	418 - 485	8.3576	8.3207	8.3455	0.5	8.3375	0.4	8.2777	0.8	110.7
Germany	(DM)	2.4345	+0.002	331 - 359	2.4400	2.4288	2.4333	0.6	2.4298	5.8	2.3982	1.5	125.8
Greece	(Dr)	374.685	+1.043	486 - 881	375.702	373.315	-	-	-	-	-	-	-
Ireland	(I£)	1.0149	+0.0022	141 - 157	1.0188	1.0111	1.0147	0.2	1.0144	0.2	1.0161	-0.1	105.4
Italy	(L)	2491.66	+10.71	008 - 323	2485.52	2485.55	2497.66	-2.9	2509.46	-2.9	2561.61	-2.8	74.7
Luxembourg	(LFr)	50.1262	+0.0887	782 - 741	50.1750	49.9760	50.0912	0.8	50.0212	0.8	49.6312	1.0	117.3
Netherlands	(Fl)	2.7286	+0.0031	272 - 300	2.7349	2.7208	2.7272	0.6	2.7233	0.8	2.6903	1.4	121.4
Norway	(NKr)	10.5967	+0.0136	910 - 023	10.6635	10.5249	10.5961	0.1	10.5998	-0.1	10.6003	0.0	86.7
Portugal	(Es)	249.084	+0.114	926 - 242	250.261	248.418	250.814	-8.3	253.994	-7.5	-	-	-
Spain	(Pta)	203.020	+0.534	900 - 139	203.885	202.417	203.365	-2.0	204.475	-2.9	206.795	-1.9	86.1
Sweden	(SKr)	11.5604	-0.038	704 - 904	11.6193	11.4989	11.6014	-2.2	11.6484	-2.3	11.8384	-2.2	76.5
Switzerland	(SFr)	2.0277	+0.0071	262 - 291	2.0308	2.0179	2.0249	1.8	2.0181	1.9	1.9788	2.4	123.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2790	+0.0013	783 - 795	1.2812	1.2770	1.2768	0.1	1.2789	5.0	1.2732	0.4	-
SDR†	-	0.917657	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6279	+0.009	273 - 285	1.6325	1.6262	-	-	-	-	-	-	-
Brazil	(R)	1.3855	+0.0102	834 - 875	1.3898	1.3834	-	-	-	-	-	-	-
Canada	(C$)	2.2055	+0.0104	044 - 066	2.2163	2.2037	2.2045	0.6	2.2033	0.4	2.1999	0.3	86.6
Mexico	(New Peso)	5.5805	+0.034	547 - 862	5.5751	5.5644	-	-	-	-	-	-	-
USA	($)	1.6280	+0.000	275 - 285	1.6330	1.6265	1.6273	0.5	1.6257	0.3	1.6167	0.7	80.6
Pacific/Middle East/Africa													
Australia	(A$)	2.2255	+0.027	243 - 266	2.2332	2.2240	2.2254	0.0	2.2269	-0.2	2.245	-0.9	-
Hong Kong	(HK$)	12.5807	+0.0632	760 - 854	12.6179	12.5699	12.5768	0.4	12.5757	0.2	12.5827	0.0	-
India	(Rs)	51.0683	+0.2504	465 - 901	51.2230	51.0270	-	-	-	-	-	-	-
Japan	(Y)	157.908	+0.248	802 - 013	158.580	157.620	157.475	3.3	156.473	3.6	151.218	4.2	189.6
Malaysia	(M$)	4.1575	+0.0296	550 - 600	4.1626	4.1464	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6598	+0.017	580 - 618	2.6662	2.6580	2.6638	-1.5	2.6716	-1.8	2.6935	-1.3	-
Philippines	(Peso)	41.0257	+0.2353	875 - 639	41.3720	40.6865	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1058	+0.0294	031 - 085	6.1251	6.1015	-	-	-	-	-	-	-
Singapore	(S$)	2.3997	+0.0127	981 - 512	2.4058	2.3973	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7074	-0.0187	044 - 103	5.7736	5.7033	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5039	+0.1213	856 - 221	6.5235	6.4056	-	-	-	-	-	-	-
South Korea	(Won)	1298.58	+5.37	793 - 922	1303.78	1297.62	-	-	-	-	-	-	-
Taiwan	(T$)	42.3706	+0.0941	476 - 939	42.6001	42.3419	-	-	-	-	-	-	-
Thailand	(Bt)	40.5372	+0.1567	085 - 659	40.6530	40.5070	-	-	-	-	-	-	-

†SDR rates for Oct 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.5250	-0.043	225 - 275	10.5315	10.4735	10.525	0.0	10.5249	0.0	10.45	0.7	104.6
Belgium	(BFr)	30.7900	-0.0985	700 - 100	30.8100	30.6540	30.8	-0.4	30.75	0.6	30.7	0.3	106.3
Denmark	(DKr)	5.8470	-0.0255	455 - 485	5.8540	5.8223	5.8514	-0.9	5.8605	-0.9	5.917	-1.2	105.7
Finland	(FM)	4.5850	-0.028	800 - 000	4.6008	4.5427	4.5867	-0.2	4.5823	0.2	4.5925	-0.2	83.3
France	(FFr)	5.1260	-0.0211	255 - 265	5.1320	5.1035	5.128	-0.5	5.1265	0.0	5.12	0.1	106.9
Germany	(D)	1.4954	-0.0062	950 - 958	1.4980	1.4883	1.4955	-0.1	1.4936	0.4	1.4827	0.8	107.5
Greece	(Dr)	230.150	-0.5	100 - 200	230.210	228.950	230.445	-1.5	231.025	-1.5	233.225	-1.3	66.7
Ireland	(I£)	1.6041	+0.0044	033 - 048	1.6120	1.6022	1.604	0.0	1.6042	0.0	1.5911	0.8	-
Italy	(L)	1530.50	-1	000 - 100	1532.50	1523.60	1534.85	-3.4	1542.7	-3.2	1584	-3.5	75.2
Luxembourg	(LFr)	30.7900	-0.0985	700 - 100	30.8100	30.6540	30.8	-0.4	30.75	0.5	30.7	0.3	106.3
Netherlands	(Fl)	1.6761	-0.0064	757 - 764	1.6765	1.6684	1.6763	-0.1	1.6742	0.5	1.6641	0.7	106.2
Norway	(NKr)	6.5090	-0.024	075 - 105	6.5380	6.4550	6.5127	-0.7	6.5305	-1.3	6.584	-1.2	97.0
Portugal	(Es)	153.000	-0.69	950 - 050	153.500	152.440	153.675	-5.3	154.9	-5.0	159.25	-4.1	95.1
Spain	(Pta)	124.705	-0.29	670 - 740	124.800	124.170	124.97	-2.6	123.71	3.2	127.905	-2.6	81.0
Sweden	(SKr)	7.1133	-0.0588	093 - 172	7.1324	7.0611	7.1281	-2.5	7.1608	-2.7	7.3258	-3.0	81.6
Switzerland	(SFr)	1.2455	-0.0016	450 - 450	1.2470	1.2370	1.2444	1.1	1.2407	1.5	1.224	1.7	109.2
UK	(£)	1.6280	+0.008	275 - 285	1.6330	1.6265	1.6273	0.5	1.6257	0.3	1.6167	0.7	88.1
Ecu	-	1.2730	+0.0051	727 - 732	1.2766	1.2727	1.2723	0.7	1.2718	0.4	1.2699	0.2	-
SDR†	-	1.46688	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0006	999 - 000	1.0000	0.9992	-	-	-	-	-	-	-
Brazil	(R)	0.8510	+0.002	500 - 520	0.8520	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.3548	-0.0003	545 - 550	1.3587	1.3545	1.3547	0.0	1.3551	-0.1	1.3628	-0.6	83.3
Mexico	(New Peso)	3.4155	+0.004	160 - 160	3.4160	3.4160	3.4165	-0.4	3.4183	-0.3	3.4257	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3670	+0.0098	667 - 672	1.3680	1.3637	1.3673	-0.2	1.368	-0.3	1.3753	-0.6	84.7
Hong Kong	(HK$)	7.7277	+0.0006	272 - 282	7.7282	7.7272	7.7275	0.6	7.7282	0.0	7.7432	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	96.9950	-0.33	600 - 300	97.1500	96.5700	96.775	2.7	96.195	3.3	93.54	3.6	150.3
Malaysia	(M$)	2.5538	+0.0059	530 - 545	2.5545	2.5405	2.5448	4.3	2.5333	3.2	2.6068	-2.1	-
New Zealand	(NZ$)	1.6339	+0.0024	332 - 345	1.6348	1.6316	1.6349	-0.7	1.6387	-0.7	1.642	-0.5	-
Philippines	(Peso)	25.2000	+0.02	000 - 000	25.6000	25.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0005	500 - 515	3.7515	3.7500	3.7518	-0.4	3.7559	-0.8	3.7745	-0.8	-
Singapore	(S$)	1.4740	+0.0005	735 - 745	1.4748	1.4715	1.4727	1.1	1.4708	0.9	1.464	0.7	-
S Africa (Com.)	(R)	3.5058	-0.029	050 - 065	3.5255	3.5015	3.5213	-5.3	3.5486	-5.0	3.6263	-3.4	-
S Africa (Fin.)	(R)	3.9950	+0.055	850 - 050	4.0050	3.9250	4.0287	-10.1	4.0875	-9.3	-	-	-
South Korea	(Won)	797.650	-0.65	500 - 800	798.500	797.500	800.65	-4.5	804.15	-3.3	822.65	-3.1	-
Taiwan	(T$)	26.0263	-0.0712	200 - 325	26.0800	26.0200	26.0463	-0.9	26.0863	-0.9	-	-	-
Thailand	(Bt)	24.9000	-0.027	800 - 100	24.9100	24.8900	24.9725	-3.5	25.1	-3.2	25.58	-2.7	-

†SDR rate for Oct 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 20. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5¼	5⅝	6¼	7.40	4.50	-
week ago	4⅞	5	5¼	5¾	6¾	7.40	4.50	-
France	5⅝	5⅝	5⅝	5⅞	6⅝	5.00	-	6.75
week ago	5⅝	5⅝	5⅝	5⅞	6⅝	5.00	-	6.75
Germany	4.82	4.95	5.15	5.25	5.58	6.00	4.50	4.85
week ago	4.95	4.85	5.15	5.30	5.65	6.00	4.50	4.85
Ireland	4⅞	5⅝	5⅞	6⅛	7⅛	-	-	6.25
week ago	4¾	5⅝	5½	6⅛	7⅛	-	-	6.25
Italy	8⅛	8⅝	8¾	9¼	10¼	-	7.50	8.20
week ago	8⅛	8⅝	8¾	9¼	10⅛	-	7.50	8.20
Netherlands	4.84	4.93	5.17	5.30	5.66	-	5.25	-
week ago	4.84	4.93	5.18	5.32	5.75	-	5.25	-
Switzerland	3⅞	3⅞	4⅛	4¼	4⅝	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4⅛	4⅝	6.625	3.50	-
US	4⅝	4⅞	5⅛	5⅜	6⅛	-	4.00	-
week ago	4⅞	4⅞	5⅛	5⅝	6⅛	-	4.00	-
Japan	2¼	2¼	2⅜	2½	2⅞	-	1.75	-
week ago	2¼	2¼	2⅜	2½	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5	5⅜	5⅞	6⅜	-	-	-
week ago	-	5	5⅜	5⅞	6⅜	-	-	-
US Dollar CDs	-	4.88	5.36	5.71	6.30	-	-	-
week ago	-	4.88	5.27	5.57	6.13	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	4	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5¼ - 5⅛	5⅝ - 5½	6¼ - 6⅛
Danish Krone	6 - 5¾	6 - 5¾	6 - 5¾	6⅜ - 6¼	6¾ - 6⅝	7½ - 7⅜
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5⅛ - 5	5⅝ - 5½	6⅛ - 5⅞
Dutch Guilder	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	5³⁄₁₆ - 5¹⁄₁₆	5⅝ - 5½	5⅞ - 5¾
French Franc	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	9⅛ - 8	8⅛ - 8	9⅝ - 5⅝	10¼ - 15	10⅝ - 16¼	10⅝ - 10⅜
Spanish Peseta	7½ - 7⅜	7½ - 7⅜	7⅝ - 7½	7¹³⁄₁₆ - 7¹¹⁄₁₆	8⅜ - 8¼	9⅛ - 9
Sterling	5⅝ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	6¹³⁄₁₆ - 6¹¹⁄₁₆	6½ - 6⅜	7⅞ - 7¾
Swiss Franc	3⅞ - 3¾	3⅞ - 3¾	3¹⁵⁄₁₆ - 3¹³⁄₁₆	4⅛ - 3¹⁵⁄₁₆	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	4¹³⁄₁₆ - 4⅝	4⅞ - 4¾	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5½ - 5⅜	6⅛ - 5¹⁵⁄₁₆	6¹³⁄₁₆ - 6¹¹⁄₁₆
US Dollar	4¹³⁄₁₆ - 4⅝	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5⅝ - 5½	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6½ - 6⅜
Italian Lira	9 - 7½	8⅝ - 8⅜	8⅝ - 8¾	8¾ - 8⅝	9¼ - 9⅛	10⅝ - 10½
Yen	2¼ - 2⅛	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2¹³⁄₁₆ - 2¾
Asian $Sing	1⅞ - 1¾	1¾ - 1⅝	2⅜ - 2¼	3⅜ - 3¼	3⅝ - 3½	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.00	94.00	-	94.03	93.97	187,027	447,813
Mar	93.56	93.57	+0.01	93.60	93.53	185,407	402,624
Jun	93.11	93.12	+0.01	93.15	93.07	111,637	302,116

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.59	94.59	-	94.61	94.57	1,389	17,724
Mar	94.09	94.11	+0.01	94.12	94.08	371	9,211
Jun	-	93.67	+0.01	93.68	93.63	332	3,964

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.99	16.65	4.858	2.023	4970	5.443	21.13	496.8	405.0	23.15	4.044	1.995	4.399	3.248	315.0	2.552
Denmark	(DKr)	52.65	10	8.767	2.557	1.065	2617	2.866	11.13	261.6	213.3	12.17	2.129	1.051	2.316	1.710	165.9	1.344
France	(FFr)	60.06	11.41	10	2.917	1.215	2985	3.269	12.69	298.4	243.3	13.88	2.429	1.198	2.642	1.951	189.2	1.533
Germany	(DM)	20.59	3.911	3.429	1	0.417	1023	1.121	4.351	102.3	83.40	4.758	0.833	0.411	0.906	0.669	64.87	0.525
Ireland	(I£)	49.43	9.388	8.230	2.400	1	2457	2.690	10.44	245.6	200.2	11.42	1.999	0.986	2.175	1.606	155.7	1.261
Italy	(L)	2.012	0.382	0.335	0.098	0.041	100.	0.115	0.425	9.996	8.149	0.465	0.081	0.040	0.089	0.065	6.339	0.051
Netherlands	(Fl)	18.37	3.489	3.059	0.892	0.372	913.1	1	3.882	91.28	74.41	4.245	0.743	0.367	0.808	0.597	57.86	0.469
Norway	(NKr)	47.33	8.989	7.880	2.298	0.958	2352	2.576	10	235.1	191.7	10.93	1.914	0.944	2.082	1.537	149.1	1.208
Portugal	(Es)	20.13	3.823	3.351	0.976	0.407	1000	1.096	4.253	100.	81.53	4.651	0.814	0.402	0.886	0.654	63.41	0.514
Spain	(Pta)	24.69	4.689	4.111	1.199	0.500	1227	1.344	5.217	122.7	100.	5.704	0.999	0.493	1.086	0.802	77.78	0.630
Sweden	(SKr)	43.28	8.220	7.206	2.102	0.876	2151	2.356	9.145	215.0	175.3	10	1.750	0.864	1.904	1.406	136.4	1.104
Switzerland	(SFr)	24.73	4.696	4.117	1.201	0.500	1229	1.346	5.224	122.8	100.1	5.713	1	0.493	1.088	0.803	77.90	0.631
UK	(£)	50.12	9.518	8.345	2.434	1.014	2491	2.728	10.59	249.0	203.0	11.58	2.027	1	2.205	1.628	157.9	1.279
Canada	(C$)	22.73	4.317	3.785	1.104	0.460	1130	1.237	4.803	112.9	92.06	5.252	0.918	0.454	1	0.738	71.61	0.580
US	($)	30.79	5.847	5.126	1.495	0.623	1530	1.676	6.505	152.9	124.7	7.115	1.245	0.614	1.354	1	96.99	0.786
Japan	(Y)	31.74	6.028	5.285	1.541	0.642	1578	1.728	6.707	157.7	128.6	7.334	1.284	0.633	1.396	1.031	100.	0.815
Ecu		39.18	7.443	6.525	1.903	0.793	1948	2.133	8.280	194.7	158.7	9.054	1.585	0.782	1.724	1.273	123.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6701	0.6671	-0.0031	0.6716	0.6656	33,753	91,059
Mar	0.6730	0.6683	-0.0031	0.6730	0.6685	431	4,366
Jun	-	0.6698	-0.0032	0.6686	0.6686	3	577

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8068	0.8029	-0.0062	0.8105	0.8010	18,834	42,889
Mar	0.8106	0.8062	-0.0062	0.8119	0.8048	154	1,168
Jun	-	0.8102	-0.0061	0.8164	0.8090	11	125

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0340	1.0342	-0.0001	1.0399	1.0300	27,224	57,677
Mar	1.0425	1.0426	-	1.0475	1.0395	820	6,814
Jun	-	1.0528	+0.0002	1.0536	1.0515	26	442

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6298	1.6254	-0.0052	1.6324	1.6216	15,803	44,875
Mar	1.6260	1.6236	-0.0054	1.6300	1.6215	34	474
Jun	-	1.6202	-0.0056	1.6280	1.6180	1	8

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.550	7.49	7.63	7.61	0.01	0.25	0.54
1.575	5.11	5.57	5.89	0.07	0.62	1.03
1.600	2.98	3.74	4.18	0.43	1.27	1.79
1.625	1.40	2.33	2.79	1.30	2.29	2.82
1.650	0.50	1.33	1.81	2.84	3.72	4.26
1.675	5.11	0.69	1.09	4.93	5.55	6.01

Previous day's vol., Calls 5,244 Puts 8,265 . Prev. day's open int., Calls 431,736 Puts 376,763

■ Pound in New York

Oct 21	—Close —	— Prev. close —
£ spot	1.6285	1.6323
1 mth	1.6276	1.6315
3 mth	1.6272	1.6309
1 yr	1.6173	1.6212

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

FT GOLD MINES INDEX

	Oct 21	% chg since 31/12/93	Oct 20	Mkt Cap $m	% of Gold Mines	Gross div yield %	52 week High	Low
Gold Mines Index (34)	2285.70	+2.4	2304.73	58.55	100.00	1.90	2367.40	1762.02
■ Regional Indices								
Africa (16)	3700.53	+12.0	3711.87	19.03	34.26	3.76	3711.87	2304.45
Australasia (7)	2907.38	+9.0	2901.34	7.12	12.82	1.85	3013.89	2161.17
North America (11)	1773.54	-4.7	1798.81	29.40	52.92	0.76	2039.65	1468.11

Copyright, The Financial Times Limited 1994.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Oct. 21: 290.9; week's change: +10.9 points; Year ago: 221.0.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¼pm	
118	Nil	28/11	20pm	9½pm	Cables	11pm	
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	18/15	60pm	24pm	Reckitt & Colman	60pm	
180	Nil	8/12	15½pm	9pm	Sidlaw	9pm	-2
Ir330p	Nil	29/11	58pm	45pm	Smurfit (J)	45pm	-2
75	Nil	14/11	5pm	1½pm	World of Leather	1½pm	

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.88	6½	4	APTA Wrnts.	5	+½	-	-	-	-
-	F.P.	6.15	73	63	Artesian Ests.	68	-2	-	-	-	-
-	F.P.	1.30	1½	1	Cont'l Foods Wts	1¼		-	-	-	-
83	F.P.	12.2	88	85	Ennemix	87		RN0.71	5.3	1.3	8.4
115	F.P.	38.1	126	115	Games Workshop	126		RN4.6	2.2	4.8	11.9
-	F.P.	2.33	35	28	Group Dv Cap Wts	28	-1	-	-	-	-
-	F.P.	29.5	62	59	Hambros Sm Asian	59	-1	-	-	-	-
-	F.P.	2.80	30	28	Do Warrants	28		-	-	-	-
160	F.P.	17.6	185	176	Mackie Intl	183	+2	RN8.0	2.2	4.1	7.5
180	F.P.	421.4	181	164	Man ED & F	164	-5	RN8.6	1.6	6.6	9.0
-	F.P.	336.0	486	475	Prolific Inc.	480		-	-	-	-
135	F.P.	58.7	149	136	Servisair	146	-3	RN3.8	1.3	3.3	23.7
-	F.P.	112.6	379	360	Templeton E New	364	-4	-	-	-	-
-	F.P.	11.8	212	187	Do. Wrts. 2004	187	-4	-	-	-	-
-	F.P.	6.01	60	57	Whitchurch	60	+2	RN1.25	3.0	2.6	12.6
-	F.P.	28.3	360	340	Wrexham Water	340		-	-	-	-
-	F.P.	4.74	330	320	Do. NV	320		-	-	-	-

UK INTEREST RATES

LONDON MONEY RATES

Oct 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 3¾	5⅛ - 4⅞	5½ - 5⅜	6 - 5⅞	6⅞ - 6⅝	7⅞ - 7⅝
Sterling CDs	-	-	5⅞ - 5⅜	5⅞ - 5¾	6⅞ - 6⅝	7⅞ - 7⅝
Treasury Bills	-	-	5⅜ - 5¼	5½ - 5⅜	-	-
Bank Bills	-	-	5⅞ - 5⅝	5¾ - 5⅝	6⅛ - 6	-
Local authority deps.	5¾ - 5⅛	5¼ - 5⅛	5⅞ - 5⅝	5¾ - 5⅝	6⅞ - 6⅝	7⅞ - 6⅞
Discount Market deps	5 - 3¾	5¼ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.4229pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.736pc. Finance House Base Rate 6pc from Oct 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 21	Oct 14		Oct 21	Oct 14
Bills on offer	£500m	£500m	Top accepted rate	5.4349%	5.4349%
Total of applications	£2642m	£2550m	Ave. rate of discount	5.4229%	5.4214%
Total allocated	£500m	£500m	Average yield	5.4972%	5.4957%
Min. accepted bid	£98.645	£98.645	Offer at next tender	£500m	£500m
Allotment at min. level	97%	60%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 19, 1994	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	1,042,124,179	-160,969,946
Bankers deposits	1,511,542,403	-308,537,754
Reserve and other accounts	3,299,510,158	-2,370,356,018
	5,867,729,740	-2,839,863,718
Assets		
Government securities	1,255,124,789	+151,460,000
Advance and other accounts	4,055,113,728	-3,098,832,127
Premise, equipment and other secs	553,310,404	+115,587,729
Notes	4,013,042	-8,115,452
Coin	167,777	+6,134
	5,867,729,740	-2,839,863,716
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,145,986,958	-11,884,548
Notes in Banking Department	4,013,042	-8,115,452
	18,150,000,000	-20,000,000
Assets		
Other Government securities	12,112,096,367	-104,172,112
Other Securities	6,037,903,633	+84,172,112
	18,150,000,000	-20,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd.	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of British Merchant Banking & Securities Houses Association
* In administration

UK GILTS PRICES

Notes	Price £	Wk's % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	100⅛xd	—	1,900	My17 Nv17	11.16	1345
12pc 1995	151⅞	-.1	2,850	Ja25 Jy25	20.6	1294
Exch 3pc Gas 1990-95	98⅜xd	0.2	214	My1 Nv1	26.9	1271
10¼pc 1995	102⅞	-.1	2,500	Ja21 Jy21	14.8	1254
Treas 12¾pc 1995‡‡	105⅝xd	-.1	840	My15 Nv15	10.16	1288
Funding 3½pc 1999-4	72⅞	-.6	543	Ja14 Jy14	7.8	1274
Conversion 9½pc 2004	104⅜xd	-.6	3,412	Ap25 Oc25	19.9	1246
Treas 6¾pc 2004‡‡	87⅞xd	-.6	6,500	My26 Nv26	20.16	4460
6½pc 2005	99	-.6	2,000	Ja7 De7	-	-
Conv 9½pc 2005	105⅛	-.6	4,842	Ap18 Oc18	12.9	1247
Treas 12½pc 2003-5	121⅜xd	-.3	2,200	My21 Nv21	17.16	1295
Index-Linked (b)						
2pc '96	(67.9) 200	0.1	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6) 107⅝xd	—	800	Ap27 Oc27	20.9	-
2½pc '01	(78.3) 166	—	1,500	Mr24 Se24	18.8	1319
2½pc '03	(78.8) 162xd	—	1,300	My20 Nv20	17.15	1317
4⅜pc '04‡‡	(135.6) 108¼	-.1	1,000	Ap21 Oc21	14.9	-
2pc '06	(69.5) 168⅛	0.1	1,650	Ja16 Jy16	13.8	1314

[illegible]

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1994: 141.3 and for August 1994: 144.7.

Other Fixed Interest

[illegible]

‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£20⅜	-2.8	Q61%	♦	Sep May	9'93	–
ANZ A$		172	-1.1	Q20c	0.7	Jan Jul	9.12	–
Abbey National	†N	406	-.5	18.5	2.1	May Oct	18.6	6411
Allied Irish I£	♣†N	244	-3.6	Q53½%	2.7	Oct May	18.8	1354
Anglo Irish I£	MN	58	3.6	Q17.5%	1.7	Jan Jul	6.6	1365
Asahi Y		706	-3.9	Q14%	♦	Jan Dec	12'92	3049
Banco BB Viz Pta		£15⅜	0.7	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£28⅝	0.7	Q38%	2.6	MyAuOcJa	1.8	–
Bk Ireland I£	♣	275	-3.5	Q12.3%	3.2	Jul Dec	18.8	1360
Bank Scotland	♣†N	200xd	-2.4	5.31	3.3	Jul Dec	17.16	1742
9¼pc Pf		108½xd	-5.5	9¼%	–	May Nov	17.16	1462
6¾pc Pf		111¼xd	-5.5	6¾%	–	May Nov	17.10	1685
Barclays	♣†N	572	1.1	16.65	2.8	Oct May	18.8	1754
Dai Ichi Kan Y		211¼	-1.8	Q18%	1.2	Jan Dec	9'93	–
Deutsche DM		£300¼	1.8	Q33%	–	May	5'93	–
Esprito Santo		29⅛	6.6	Q60c	5.2	Jan	6'93	6101
First Nat Fin	N	65	-8.5	1.6	–	Mar Aug	18.7	2571
6.3pc Cv Pf		71	-2.7	6.3%	–	Jul Jan	6.6	2578
7pc Cv Pf		127	-3.8	7.8	–	Jul Jan	6.6	1469
Fuji Bank Y		1361½	-1.5	Q17%	♦	Dec Jan	7'93	–
HSBC HK	†N	709xd	-4.2	24.5	2.4	Nov Jan	5.6	2766
HSBC (75p Shs)	†N	707xd	-2.2	24.5	2.4	Nov Jan	5.6	2776
Lloyds	†N	545	-4.7	23.0	2.1	Oct May	8.0	3171
Mitsubishi Y		215⅞	-2.3	Q17%	♦	Jan Dec	12'92	–
Mits Tst & Bk Y		958¼	-2.2	Q18%	12.4	Jan Dec	12'92	–
Mitsui Tst & Bk Y		712½	-5.8	Q17%	5.5	Jan Dec	12'92	–
Nat Aust A$	†	476	0.0	Q58c	1.7	Jul Jan	21.9	–
NatWest	†N	489	-3.0	16.4	2.4	Oct May	0.5	3493
Ottomane FFr		£22	1.1	Q125%	♦	May	25.5	–
Ryl Bk Scotland	♣†N	430	1.2	12.0	1.9	Feb Jul	15.8	3874
Sakura Y		£8¼	1.1	Q17%	3.0	Dec Jan	12'92	–
Sanwa Y		£12⅞	-.1	Q18%	2.0	Jan Dec	12'92	–
Standard Chartd	†N	279xd	-.4	6.37	4.2	Jun Oct	22.8	4094
7 3/8pc Prf		84¾	-.3	7.37	–	Apr Oct	22.8	1718
Sumitomo Y		211⅜	-1.6	Q17%	0.7	Jan Dec	12'92	–
Sumitomo Tst Y		889¼	-4.3	Q17%	♦	Jan Dec	12'92	–
TSB	†N	221	2.6	8.07	2.5	Apr Oct	15.8	4320
Tokai Y		£7⅜	1.6	Q18%	2.8	Jan Dec	12'92	–
Toyo Tst & Bk Y		898½	-4.4	Q15½%	2.3	Jan Dec	6'93	–
Westpac A$		216	–	Q12c	♦	Jul Jul	7.8	–
Yasuda Tst Bk Y	♣	553¾	-2.1	Q15½%	2.3	Jan Dec	12'92	–

BREWERIES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Ascot Hldgs		2¼	28.6	–	–	–	–	8815
Bass	†N	534	-.4	20.95	1.6	Feb Jul	6.6	1772
Boddington	†N	257xd	2.0	8.32	2.1	Apr Oct	12.0	1862
Burtonwood	N	187	–	0.5	2.0	Feb Aug	10.7	2022
Eldridge Pope A	♣†N	180	–	3.65	1.8	Feb Jul	4.7	2435
Fosters A$		58	–	Q8c	♦	May Oct	6'93	1072
Fuller STA	♣♣N	390	–	7.77	3.1	Aug Jan	16.7	2643
Gibbs Mew	♣♣N	454	0.5	8.75	♦	Oct Apr	5.8	2893
Greenalls	♣†N	410	0.5	12.61	1.9	Jul Feb	15.8	2788
Greene King	N	531	1.7	12.9	2.7	Aug Feb	10.7	2789
Grosvenor Inns	♣♣N	143	–	4.75	♦	Mar Oct	15.8	–
Holt (J)	†N	3650xd	–	48.0	3.7	Jan Oct	3.10	2812
[illegible]								

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£21$\frac{1}{2}$	—	0375c	1.8	Oct Apr	3'93	-
Barlow	Z	64$\frac{1}{2}$	0.2	018c	-	Jul	22.8	-
Gold Flds Prop R		110xa	—	052c	♦	Feb Sep	31.1	-
MK Props		85	—	007.1c	-	Feb Sep	10'93	-
SASOL	♥	587	2.3	07lc	-	Oct	9'93	3919
SA Brews		£14$\frac{13}{16}$	11.8	0165c	4.5	Dec Jun	30.5	-
Tiger Oats	†	£13	—	085c	2.9	Jul Feb	8.6	-
Tongaat-Hulett		590	—	078.8c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
♦ Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
[illegible] Free annual/interim report available, see details below.
[illegible] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Rule 4.2(a) UK & Irish incorporated non-listed companies.
[illegible] Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
[illegible] Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. o Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94.

N Figures based on MMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. S Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xb ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Compel Group (Sup Servs). Deletions: Lilliput (Household Goods), Beta Global Emrg Mkts C (Inv Trusts) and Low (Wm) (Rtlrs, Food).

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4 pm close October 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅝	14¼	AAR	0.48	3.9	20	180	12½	d12¼	12⅜	-⅛
17⅞	12⅜	A L Labs A x	0.18	1.1	22	100	16⅝	15⅝	18	-⅛
79⅜	57⅝	AMP	1.60	2.2	27	1234	77¾	77¼	77½	-⅜
72¾	48⅜	AMR			92	2517	53⅝	53	53	-¼
0	3⅜	ARX			12	d1	3⅞	3¾	3¾	-⅛
58⅛	38⅝	ASA	2.00	4.0	33	467	50⅛	49⅞	00	-⅜
32	28⅜	AbbtL x	0.76	2.3	16	5798	31¼	30¾	31	-¼
15¼	11⅞	Abitibi Pr	0.50	3.9	18	761	13¼	12⅞	13⅛	-⅛
23⅝	17¾	ABM Ind x	0.52	2.6		16	20⅛	20	20⅛	+⅝
18	11⅛	Acptncein			33	695	u18	17⅝	17⅞	
31	22⅝	ACE Ltd	0.44	1.9	26	87	23	22⅞	23	+⅛
12½	8¼	ACM Gvt In	1.09	11.7		317	9⅝	d9¼	9⅜	-⅛
10⅛	7	ACM GvOpp	0.50	11.4		81	7⅛	d7	7	
10⅝	7	ACM Gvt Sp	0.96	12.8		439	7⅛	d7	7⅛	
12	9⅜	ACM Gvt Se	1.09	12.9		620	8½	d8⅜	8½	
11¾	7⅞	ACM Man	1.08	13.1		227	8⅜	8¼	8¼	-⅛
9¼	6	ACM Managd	0.72	8.9		49	8¼	8⅛	8⅛	
15½	8¾	AcmeCtv	0.44	3.2	17	290	13⅞	13½	13⅞	+⅛
11¼	6½	Acme Elect			10	417	u13	10⅞	11⅞	+1
28¾	23	Acordia	0.60	2.2	13	24	27½	21½	27⅝	-¼
13¾	5¾	Actava	0.36	3.8	3	766	6⅝	9¼	9½	
17	11¼	Acuson			124	299	16⅛	16⅛	16⅛	-⅛
18⅞	16½	Adams Expr	0.48	2.8	0	51	17⅛	17	17	
64	46½	Ad Micro	3.00	5.7		122	52½	51½	52⅜	+⅛
31⅜	16¾	AdvMic	3.00	12.6	10	12070	23¾	22¾	23¾	+⅛
6⅞	5	Advest Grp	0.18	3.0	8	80	5⅝	5¼	5⅜	+⅛
20	15	Advo Inc	0.18	0.8	120	110	18	17⅞	18	+⅛
62⅝	49⅜	Aegon ADR	1.47	2.4	13	13	61¾	d61½	61½	-⅜
65¾	44⅝	AetnaL	2.76	6.0	7	1684	46½	46	46⅜	+⅛
36⅛	25¼	Aflac	0.48	1.4	13	752	32⅝	32⅛	32¼	-⅜

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

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- H -

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- I -

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- J -

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- K -

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- M -

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- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close October 21

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
9⅞	5	Selant Crp			6	320	5⅜	6¾	5¼	-¼
40⅞	31½	Sallie Mae	1.40	4.4	6	1154	31¾	d31½	31½	-¼
13⅞	11⅞	Salomon Br	0.36	2.9		311	12⅞	12¼	12⅜	-⅛
52¼	37⅝	Salsson	0.64	1.7	0	2398	37½	d37	37⅛	-½
25	17⅛	SnDgGE	1.52	7.0	10	818	19⅞	19⅝	19⅞	+⅛
18	7½	SantaFeERs	0.10	1.6	0	344	6¾	6⅝	6⅝	
17⅞	15½	SFeGd				3597	15⅝	15⅛	15½	
46	31½	SantaFePac	2.80	8.4	15	50	33½	33⅛	33¼	-⅛
28¾	12⅛	SanFeP	0.18	0.7	7	5869	14⅝	14⅛	14¼	
28	19⅞	SaraLee	0.64	2.8	15	3845	22⅞	22⅝	22¾	-⅛
50⅛	42⅛	Scana Corp	2.82	6.5	11	218	43⅝	43⅜	43½	
20½	12½	Scecrp	1.60	7.6	0	8964	13¼	13	13⅛	-¼
43½	31¼	SchererRP			31	86	41⅞	41⅝	41⅝	-⅜
72½	54½	SchrPl	2.04	2.9	16	3782	70⅞	70⅜	70⅜	-¼
65	50¾	Sclmb	1.20	2.2	20	5948	28	54⅛	28	+⅝
33⅞	23¾	Schwab(C)	0.28	0.9	15	1283	31½	30¾	31⅜	
10¾	6⅛	Schweitzer			27	11	9⅝	9½	9½	-⅛
22⅝	12⅞	SciAtl	0.06	0.3	44	3727	u22⅞	21⅞	22⅜	+½
16⅞	13	Scotsmn	0.10	0.6	14	34	15⅞	15¾	15⅞	
66⅜	37¼	ScottP	0.80	1.3	19	2012	62¼	61⅛	62	-⅛
26⅝	18⅝	ScudderNAsF	0.21	0.9		86	24⅝	24⅛	24¼	-½
12⅝	9⅛	ScudderNEuF	0.16	1.8		207	9⅞	9¾	9⅞	
18¼	13½	SeaCnB	0.78	4.5	7	z100	15⅝	15⅝	15⅝	-⅜
16½	14⅞	SeaC1.4625	1.46	9.8		25	15	15	15	-¼
32⅝	26¼	Seagrm	0.60	2.0	38	1582	30½	30⅜	30⅜	-¼
29⅝	21⅞	Seagull En			36	1698	23¼	22¾	23	+⅛
36¼	26⅝	Sealed Air			25	434	34½	32⅞	34	+1
55⅛	42⅛	SearsR	1.60	3.3	7	12109	48¼	47⅞	48⅛	-⅛
13¾	10¼	Seligm Sel x	0.84	7.8		68	10¾	d10¾	10¾	

NASDAQ NATIONAL MARKET

4 pm close October 21

AMEX COMPOSITE PRICES

4 pm close October 21

FT GUIDE TO THE WEEK

24 MONDAY

Knesset to ratify deal

Israel's parliament meets to ratify the Israeli-Jordanian peace treaty. Israel has invited 2,000 Jordanians, 2,000 Israelis and 1,000 Americans to witness what is expected to be a near unanimous approval of Israel's second peace treaty with an Arab neighbour since its accord witb Egypt in 1979.

European Union Agriculture:

Agriculture ministers meet in Luxembourg to discuss, among other things, measures to introduce maximum journey limits to protect animals from being transported to slaughter (to Oct 25).

European Parliament begins a week-long session in Strasbourg.

South Africa's foreign minister, Alfred Nzo, kept busy by all the official invitations his once isolated country now receives, arrives in Saudi Arabia at the start of a week-long tour of the Middle East. He also visits Oman, Kuwait, Bahrain and Iran, with which South Africa bas had no official contact since the Iranian revolution. He then visits the Czech Republic and France.

Somalia: A seven-member United Nations security council mission leaves for Mogadishu to prepare for the phased withdrawal of the 15,000-strong UN operation by the end of March. The US-led intervention in December 1992 delivered food, but failed to hring about national recoociliation.

Kurdish rights: John Shattuck, US assistant secretary of state for human rights, visits south-eastern Turkey, where security forces a month ago launched one of their largest offensives against the separatist Kurdistan Workers Party (PKK). International organisations accuse the army of systematic buman rights violations in a 10-year war against the PKK that has claimed over 13,000 lives.

Ulster peace: British prime minister John Major is due to hold talks with Ireland's premier Albert Reynolds at Cbequers, Mr Major's country retreat near London. They will review progress on peace in Northern Ireland, and prepare for a summit when they are expected to release the long awaited framework document for a settlement.

The meeting will confirm the leaders' joint approach, although Mr Major will want to restate British concerns not to alienate the unionists, while Mr Reynolds will repeat his view that Sinn Féin, the IRA's political wing, should be brought into talks as soon as possible to maintain momentum.

Eurostar tickets for Channel Tunnel passenger trains, due to start on November 14, go on sale.

FT Survey: Zambia.

Holidays: Haiti (United Nations Day), New Zealand (Labour Day), Thailand, Zambia (Independence Day).

25 TUESDAY

World Trade Organisation

The preparatory committee meets in Geneva to decide whether to go ahead with an implementing conference in December to set a January 1 starting date for the successor to Gatt. Only 30 out of the 125 participants in the world trade talks bave ratified the accords so far, but another 50, including the US, EU and Japan, have pledged to ratify by the end of the year.

German government: Chancellor Helmut Kohl's Christian Democratic Union, its Bavarian sister-party, the Christian Social Union, and the Free Democratic party (FDP), begin what could be complicated coalition negotiations after their victory in last week's federal elections. The FDP is under pressure to give up some of the five ministries it controls in the 18-seat cabinet, following its second worst election result since the second world war. However, the three-party coalition has a majority in the Bundestag, the lower house of parliament, of only 10 seats, a delicate situation which may strengthen the FDP's negotiating hand.

Jacques Santer, European Union president-designate, meets Austrian Chancellor Franz Vranitzky in Vienna to discuss the role of an Austrian commissioner in the Commission to start work next year wben Austria becomes a member. The agriculture portfolio is said to be on offer. Mr Vranitzky says he would appoint Franz Fischler, the (Conservative) agriculture minister, for the post.

Germany's six economic institutes present their autumn survey, the most comprehensive independent check-up on the state of the German economy.

UK economy: The Confederation of British Industry's industrial trends survey sbould provide insight into developments in the UK manufacturing sector ahead of next week's monetary meeting of the chancellor and the Bank of England governor.

Tomorrow the globe:

The UK's first large-scale international *Shakespeare* festival, put on hy the Royal Shakespeare Company, starts at the Barbican Centre, London (to Nov 20). Among directors taking part will be the American Peter Sellars, with an updated version of The Merchant of Venice; Karin Beier from Germany with Romeo and Juliet; and the Japanese director Tadashi Suzuki, with King Lear. There will also be companies from Georgia and Israel.

FT Survey: Italian Industry and Technology.

Holidays: Taiwan.

26 WEDNESDAY

Clinton attends signing

US president Bill Clinton arrives in Israel at the beginning of a three-day Middle East trip to attend the signing of the Israeli-Jordanian peace treaty at a newly established desert border crossing between the two former warring neighbours.

Yitzhak Rabin, Israeli prime minister, and King Hussein of Jordan will sign tbe treaty ending 46 years of enmity betweeo the two countries and paving the way to peace, development and economic co-operation.

Mr Clinton, the first serving US president to visit the heartland of the Middle East since Jimmy Carter in 1979, is expected to spend the night in Jordan. On Thursday be is due to address the Israeli parliament and visit the Old City of Jerusalem. On Friday Mr Clinton will visit US troops in Kuwait.

UK pollution: The Royal Commission on Environmental Pollution publishes a study of transport and the environment. The report is expected to recommend stiff tax increases on petrol among more than 100 measures to slow down the growth in private car use.

UK gas market: The House of Commons Select Committee on Trade and Industry holds bearings on the future of the UK gas market as the government dithers over whether to include gas deregulation in the Queen's *Speech* outlining the government's legislative programme. Witnesses include Tim Eggar, UK energy minister, Clare Spottiswoode, gas industry regulator, and senior executives from British Gas.

Saleroom: In New York from Wednesday through to Friday, Christie's is disposing of the French furniture and works of art which occupied the New York mansion of the late Miss Alice Tully, a Corning Glass beiress, until ber death in 1993. Among the highlights are a Louis XVI ormolu mounted mahogany secretaire, attrihuted to Reisener, the great master of the period, and estimated at up to $150,000.

The private collection of arms and armour assembled by the late A. R. Dufty, former Master of the Royal Armouries, is offered by Christie's in London. Amoog tbe highlights is a silver gilt presentation small-sword in original scabbard and case. It was given to Captain Thomas Le Marchant in 1798 after he successfully took a convoy to the Leeward Islands during the French Wars. Mr Dufty paid £230 for it in 1961; it now carries an estimate of up to £12,000.

FT Surveys: Aluminium and Technology in the Office.

Holidays: Austria (National Day).

Newsmakers today, Nobel peace candidates of the future?

27 THURSDAY

Aid for Ukraine

Ukrainian President Leonid Kuchma meets senior officials of tbe G7 nations, IMF, World Bank and other finance officials in Winnipeg, Canada, to discuss aid to Ukraine. He will press for up to $5.5bn to support the country's nascent economic reforms. The US and Canada are due to raise bilateral support to help cover a $600m balance of payments gap in the fourth quarter. In return, they will urge Ukraine to accede to the nuclear non-proliferation treaty and close the Chernobyl nuclear power plant. Mr Kuchma should arrive in Winnipeg with a $360m credit from the IMF, if initial macroeconomic reform steps satisfy the fund's board, scheduled to vote on Wednesday.

Japan Tobacco, a privatisation issue rejected hy nearly two-thirds of the small investors who were offered shares, is to be listed on Tokyo, Nagoya and Osaka stock exchanges. The first day's trading will prove whether small investors were right to think the shares over-priced, at Y1.438m each.

Plaid Cymru, the Welsh nationalist party whicb has four MPs at Westminster, starts its annual conference in Llandudno, north Wales (to Oct 30). In tbe wake of the Labour Party's commitment to a Welsh assembly, delegates will be pressing the case for a parliament with tax-raising powers.

FT Survey: Morocco.

Holidays: Turkmenistan, Zaire.

28 FRIDAY

Mozambique holds election

Two days of voting end in the country's first multi-party elections, amid fears that it could go the way of Angola, which returned to civil war when Jonas Savimbi refused to accept defeat in the 1992 election. President Joaquim Chissano's ruling Frelimo party and Renamo, the former rebel movement led by Afonso Dhlakama, are the main contenders for the presidency and a 250-seat parliament. Some 2,000 UN and other observers will determine whether the exercise is free and fair.

US economy: Analysts expect today's "advance" US gross domestic product figures to confirm a slow-down in the annualised rate of US growth to 2.8 per cent in the third quarter from the second quarter's rohust 4.1 per cent. The GDP deflator, the broadest measure of inflation, could be of greater interest for financial markets if figures substantiate consensus forecasts of a rise to 3 per cent from 2.9 per cent in the second quarter.

Malaysia's 1995 budget is presented today. A 2 per cent cut in corporation tax to 30 per cent is expected as part of package to offer more incentives to foreign and local investors. Restrictions on domestic credit are also probable, to prevent the economy from overheating after seven years of above 8 per cent growth.

FT Survey: Portugal.

Holidays: Cyprus, Greece, Turkey.

29-30 WEEKEND

Scramble for EU portfoli

European Commission president-designate Jacques Santer holds au informal meeting of commissioner designate at Chateau Seuningen in Luxembourg on Saturday to discu allocation of portfolios. Failure to secure a deal would be viewed as a hlow to Santer's authority.

Macedonia holds a second round elections for its 120-seat parliamen Sunday. The Alliance for Macedon coalition, led by ex-communists an hacked by President Kiro Gligorov expected to fiuish first after winnu some 30 per cent of the first-round according to unofficial figures. The ance is likely to resume governing the Party for Democratic Prosperit representing Macedonia's sizeable nic Albanian minority.

Casablanca hosts the Middle Ea North Africa Economic Summit on Sunday (to Nov 1). Organised by th Council on Foreign Relations and t World Economic Forum, it brings together 200 political leaders from countries and 1,000 business people

The conference aims to provide t economic foundations for a peacef Middle East after Israel's recent pe agreements with the Palestine Libe tion Organisation and with Jordan.

Clocks go back one hour in Cana the US and Mexico on Sunday.

Compiled by Patrick Stiles and Ang Bleasdale. Fax: (+44) (0)171 873 319

ECONOMIC DIARY

Other economic news

Tuesday: Tbe Conference Board's US consumer confidence index for October is expected to rise slightly to 89 after falling for tbe past four months.

Wednesday: US durable goods orders have been a volatile indicator of late because of sbarp movements in the transport category. The consensus of analysts' views, polled by MMS International, is for a 0.5 per cent rise in September.

Friday: There are few signs of a pick-up in Japanese consumer price inflation. Consensus forecasts suggest tbe Tokyo consumer price index for October will show a year-on-year rise of just 0.4 per cent, while the all-nation index for September will be just 0.2 per cent up on September last year.

During the week: The expected fall in western German consumer price inflation to 2.8 per ceot on a year-on-year basis in October, from 2.9 per cent in September, sbould reflect lower service price inflation. Morgan Grenfell, the UK investment bank owned by Deutsche Bank, expects a "more convincing downward trend" in German CPI inflation to 2.2 per cent by tbe end of Marcb next year.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Sep treasury budget	$7.5b	-$24.2b
Oct 24	Japan	Oct trade balance - first 10 days	–	$3.7b
	Japan	Sep supermarket sales**	–	0.5%
Tues	US	Third quarter ECI, civilian	0.8%	0.9%
Oct 25	US	Third quarter ECI, civilian**	–	3.2%
	US	Sep existing home sales	–	3.90m
	US	Oct consumer confidence	89.0	88.4
	US	Johnson Redbook, w/e Oct 22	–	0.7%
	Japan	Aug coincident index	90%	40%
	Japan	Aug leading diffusion index	100%	60%
	Canada	Aug intnl C$ securities trans	C$1.3b	-C$1.2b
Wed	US	Sep durable order	0.5%	6.1%
Oct 26	US	Sep durable shipments	–	6.2%
Thurs	US	Initial claims, w/e Oct 22	-325,000	326,000
Oct 27	US	State benefits, w/e Oct 15	–	2.583m
	US	M1, w/e Oct 17	$1.0b	-$2.7b
	US	M2, w/e Oct 17	$2.6b	-$3.8b
	US	M3, w/e Oct 17	$2.0b	$5.4b
	Japan	Sep retail sales**	-1.0%	-1.7%
	France	Sep housing construct*†	0.5%	0.4%
	Canada	Sep indust prod price indx*	0.4%	0.6%
	Canada	Sep raw materials indx*	0.0%	-1.0%
Fri	US	Third quart GDP, advance	2.8%	4.1%
Oct 28	US	Third quart GDP, deflator advance	3.0%	2.9%
	US	Oct Michigan sentiment final	–	92.0P

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Sep export price index	–	0.2%
	US	Sep import price index	–	0.8%
	Japan	Oct consum price indx, Tokyo**	0.4%	0.1%
	Japan	Oct CPI, Tokyo ex-perish**	0.3%	0.5%
	Japan	Sep consum price indx, national**	0.2%	0.0%
	Japan	Sep CPI, nat ex-perish**	0.7%	0.8%
	Japan	Sep unemployment rate	3.0%	3.0%
	Japan	Sep job offers seekers ratio	0.63	0.63
	Japan	Sep industrial production†	-0.4%	3.9%
	Japan	Sep shipments†	–	2.6%
	Canada	Aug fix-weighted employmnt earn**	1.4%	1.3%
During the week...				
	Japan	Sep department store sales**	–	-3.6%
	Germany	Aug trade balance	DM5.0b	DM3.5b
	Germany	Aug current balance	-DM6.0b	-DM13.3b
	Germany	Oct preliminary cost of living*	0.1%	0.0%
	Germany	Oct preliminary cost of living**	2.8%	2.9%
	Germany	Aug capital account	–	DM10.1b
	Germany	Aug long-term capital account	–	-DM2.6b
	Germany	Sep import prices*	-0.1%	-0.3%
	Germany	Sep import prices**	1.5%	0.5%
	Germany	Sep Icon construct climate	–	89
	Italy	Sep M2 three-monthly average**	5.7%	6.1%
	Italy	Aug trade balance, payments	–	L2,900b

*month on month, **year on year †seasonally adjusted *Statistics, courtesy MMS International.*

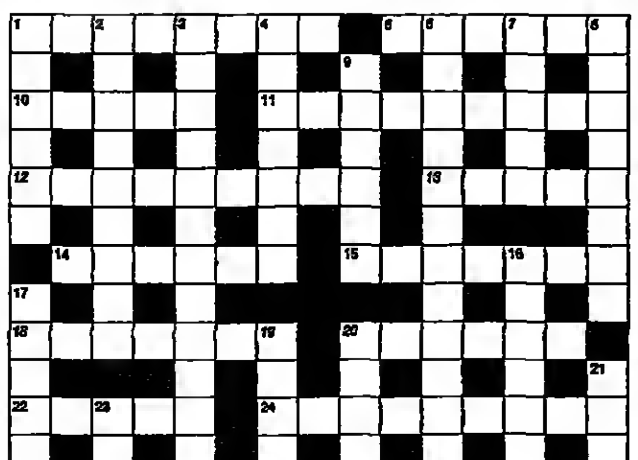
MONDAY PRIZE CROSSWORD

No.8,592 Set by DANTE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 3, marked Monday Crossword 8,592 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 7.

Name..........

Address..........



ACROSS

1 Suspect hi-jinks for the departing prodigal (6-2)
5 Cboose port of style 13,3)
10 Superstitious symbol of many following a gambling system (5)
11 Hurd being misinterpreted in northern capital (9)
12 Misery of e golf side that's been knocked out (1,4,4)
13 Some find a bikini bizarre in Spanish island 15)
14 Suffocatingly sexy? (6)
15 Ties the rest in knots (7)
16 Asian land volcano put out energy (7)
20 Noah's final resting place (6)
22 He acts as a substitute in practice (5)
24 Need no luxury (9)
25 Annoyed girl, baving tried awkwardly to embrace her (9)
26 Love to have a role in pictures (2,3)
27 They're drawn out in G sharp, perhaps (6)
28 Displayed by weatherman in bis other map (8)

DOWN

1 Nice cake, is it? (6)
2 Bring in new reduction (9)
3 Eager, ready and equal to winning at tennis (4,3,3,5)
4 Overweight boy's tie pulled out (7)
6 General joy is most moving (8,9)
7 Is far from being a modern Iranian language (5)
8 Take part in a dramatic trial (8)
9 Shed providing disreputable sbelter on the street (6)
16 Trace idea that is wrong and root it out (9)
17 Developing, going round topless! (8)
19 Time taken by a secretary (6)
20 Bill gives way and agrees (7)
21 A better method? (6)
23 It's about time (5)

Winners 8,580

N. Oram, Essendon, Herts
Paul Adams, London SE1
Miss L. Daarnhouwer, London NW11
C.R. Fenton, Lorien, Gerrards Cross, Bucks
J. Hervey, Gosport, Hants
P.M. Slater, Bolton near Alnwick, Northumberland

Solution 8,580